

1 **MR. TERRENI:** Please answer any questions the
2 parties may have, or the Commissioners.

3 **CHAIRMAN WHITFIELD:** Ms. Valtorta.

4 **MS. VALTORTA:** I just have a couple of
5 questions.

6 **CROSS EXAMINATION**

7 **BY MS. VALTORTA:**

8 **Q** Hello, Mr. D'Ascendis.

9 **A** Good afternoon. How are you?

10 **CHAIRMAN WHITFIELD:** Ms. Valtorta, could you get
11 that microphone on? I don't – they may have turned it
12 off. Mr. Richardson can help you.

13 **MR. RICHARDSON:** [Indicating.]

14 **MS. VALTORTA:** Hello? Okay.

15 **BY MS. VALTORTA:**

16 **Q** Mr. D'Ascendis, I would like to know, when you are
17 calculating the risk of Carolina Water Service, how you
18 factor in Utilities, Inc., which is the parent company?

19 **A** Sure. So, because this Commission can only set rates on
20 the jurisdictional rate base of Carolina Water Service,
21 I don't usually take into account the size of Utilities,
22 Inc., in my analysis, but Commissioner Fleming, on
23 several occasions in my history of being here
24 testifying, asked me about your same question. And on –
25 let me get to it, but I did make an analysis – so on

1 page 35 of my testimony, I make an evaluation of CWS's
2 parent, which is UI, and their estimated market
3 capitalization compared to the proxy group. And even
4 though Utilities, Inc., is significantly larger than
5 CWS, they're still significantly smaller than the
6 utility proxy group, so regardless of how you cut it,
7 they would have a similar size adjustment as they would
8 – as CWS would.

9 **Q** Can you tell me how – I guess, what's the gross annual
10 income of Utilities, Inc., and compared to Carolina
11 Water Service?

12 **A** I couldn't tell you that.

13 **Q** You can't?

14 **A** No.

15 **Q** In how many states does UI operate?

16 **A** I wouldn't know, for sure, but I think it's 13ish, or
17 so. I'm not entirely sure.

18 **Q** What – do you know the relationship between Carolina
19 Water Service and Utilities, Inc., in terms of do they
20 share capital? I mean, do they share employees?

21 Because our bill that we get every month says
22 "Utilities, Inc."

23 **A** Yeah, so – now, I don't know for sure – you're going to
24 have to ask some company witness about that – but I know
25 there are some allocations from the parent. I know they

1 have – and this is all to save money for the ratepayers,
2 because if they didn't – if every single one of the
3 subsidiaries had, you know, a billing department or
4 whatever it is, that would significantly increase costs
5 to the customers. But I know for a fact that they do
6 have allocated services out of Northbrook, or even out
7 of Canada now, because of Corix.

8 **Q** So the company's saving money by consolidating services
9 like customer complaints and that sort of thing?

10 **A** Yes, but I believe customer complaints are still local.
11 But you'd have to ask Mr. Cartin.

12 **Q** The reason I ask you is that you mentioned Utilities,
13 Inc. You said that they had 48.11 percent debt. Is
14 that what – is that correct?

15 **A** That's correct, as of December 30, 2017.

16 **Q** So there is some – you're making some adjustment in
17 their analysis, according to the financial situation of
18 Utilities, Inc.?

19 **A** Yes, and that's because a lot of – I think all of
20 Utilities, Inc., operating subsidiaries operate at 100
21 percent equity. So if I did use their true value of 100
22 percent, your cost would be going up, as well, because
23 you'd be using 100 percent and you'd have to gross up
24 all those revenues for taxes. Now, there's a theory
25 where, for capital structure, for these type of

1 purposes, you would take – first you would look at the
2 operating subsidiaries' capital structure. If that's
3 out of line with the proxy group or comparable
4 companies, you would then look to the parent company.
5 As long as the parent company's in the same type of
6 operations as the subsidiary, you could use that. And
7 if that is reasonable, you would then use that capital
8 structure for a ratemaking capital structure. Now, if
9 that – if the parent capital structure was not in line
10 or they do something else other than water distribution,
11 then you would go to the proxy group companies and then
12 you would go from – then you would use the average proxy
13 group company capital structure and go from there, and
14 probably a hypothetical debt cost rate. But this is
15 common practice when a company doesn't have a suitable –
16 at least, the operating company – doesn't have a
17 suitable capital structure.

18 **Q** All right. Thank you.

19 **A** Yep.

20 **CHAIRMAN WHITFIELD:** Thank you, Ms. Valtorta.
21 Mr. Knowlton.

22 **CROSS EXAMINATION**

23 **BY MR. KNOWLTON:**

24 **Q** Thank you, Mr. D'Ascendis, for your excellent testimony.
25 It's way over my head. I hope, if I'm ever an

1 astronaut, I'm with you. It seems that I'm hearing
2 little shades of numbers. And the first question I'd
3 like to ask you is, if you were an astronaut and
4 shooting for the moon, with these little percentages,
5 wouldn't we still hit the moon?

6 **A** Can you rephrase that?

7 **Q** It seems like the – you know, they talk about a 1
8 percent error in trajectory of the rocket, that it would
9 miss the moon and would not attain. But – and I'm not a
10 mathematician. I have one college calculus course
11 required. But it seems like the company could still
12 make good money without these little percentages. Or am
13 I mistaken?

14 **A** Well, all of the numbers that come from my testimony are
15 all market-based, so it's not like I'm going to the
16 fifth decimal spot. It's pretty – you know, it's common
17 practice to go to two decimal places in your
18 percentages. It's – it's pretty common. I have seen
19 other witnesses do one decimal place, but, I mean, if
20 you're going to say, you know, round to one decimal
21 place, fine, but, yeah, you would still get close to the
22 same answer.

23 **Q** Okay, thank you. Now, my understanding is that
24 Utilities, Inc., is a private equity utility. Is
25 Carolina Water Service publicly traded? Can we buy

1 stock in Carolina Water Service? Can we participate in
2 these profits and these rate increases, if we want to?

3 **A** No.

4 **Q** And is the same true for Utilities, Inc.?

5 **A** Yes.

6 **Q** It is not – it is a private equity company? So are you
7 aware, in your research, how many times in the last 15
8 years Utilities, Inc., the parent company, has been
9 bought or sold for any degree of profit?

10 **A** I would be unaware. I would say that Corix – Corix
11 bought them a couple of years ago, and then I don't know
12 the last time that they changed hands.

13 **Q** So I remember – I think it was approximately 10 years
14 ago when I was just beginning my research that I found
15 some private equity hub that indicated there was a 50
16 percent rate of return on the sale of the company.
17 You're not aware of that?

18 **A** [Shaking head.]

19 **Q** Okay, thank you. How would you explain to someone,
20 who's not a mathematician and doesn't know how to digest
21 these tables, your recommended – I think you said – in
22 the range of 8.8 percent profitability to a 30-some
23 percent rate increase?

24 **A** Well, from what my calculations go to, they multiply by
25 the assets, the assets of the company. So that gets

1 them to an operating income. That net operating income
2 is then rolled into all the other expenses and taxes and
3 depreciation, and that gets you the revenue requirement.
4 The revenue requirement is then broken up by class, to
5 get to rates. So it's just another piece in the
6 equation. It's not – I don't know what my percent – the
7 percentage of the rate of return is, of the revenue
8 requirement, but that's how you would find out.

9 **Q** So I guess you could understand why the common consumer
10 would react adversely to getting a 30 percent rate
11 increase when the utility says, "Well, we're guaranteed
12 9 percent profitability," but it seems to be going up
13 way more than that?

14 **A** I wouldn't say "guaranteed" because I think Mr. Cartin
15 said earlier this morning that they are operating at –
16 they're earning 4 percent on equity, and their – it's
17 not a guarantee, it's an opportunity to, so it's a
18 completely different construct. And, you know, it all
19 depends on test-year mechanisms, you know, some other
20 things. So I wouldn't say "guarantee" at all; I don't
21 think that's right.

22 **Q** Thank you. Do you think that, if you were a common
23 citizen, retired, say, or not on Social Security but in
24 the average job market, that you would be happy with a
25 4-point-some percent cost-of-living rate each year?

1 **A** A 4-or-so percent cost-of-living rate for just water, or
2 for just everything?

3 **Q** Well, on the average, because the company – I think it
4 was testified earlier – is currently making about 4-
5 point-something percent. And I'm asking you if, as an
6 average citizen, that would be enough for you to have
7 that kind of increase in your income?

8 **A** Well, it's not my income. It's what the costs are of
9 running the company. It's not – you know, it's pretty
10 close to not negotiable, at that point. But that's the
11 cost to serve.

12 **MR. KNOWLTON:** All right. I do not see how
13 your answer makes sense, but I will rest. Thank
14 you.

15 **CHAIRMAN WHITFIELD:** Thank you, Mr. Knowlton.
16 ORS, Mr. Nelson.

17 **MR. NELSON:** I have no questions for this
18 particular witness. Thank you, Mr. Chairman.

19 **CHAIRMAN WHITFIELD:** Thank you, Mr. Nelson.
20 Commissioners. Commissioner Randall.

21 **VICE CHAIRMAN RANDALL:** Thank you, sir.

22 **EXAMINATION**

23 **BY VICE CHAIRMAN RANDALL:**

24 **Q** Just one quick question, Mr. D'Ascendis. And you've
25 talked about all this. You rely primarily on earnings-

1 per-share growth in your analysis and cite academic
2 studies for your support. Do you know any academic
3 studies which find that other factors, like sales growth
4 or book-value growth, are as good or better than
5 earnings growth for estimating stock prices?

6 **A** No, I haven't – especially the ones that you said: book
7 value, dividend growth, and sales growth. And one thing
8 that I think tells the tale is, if you look at, say, the
9 Yahoo Finance of the world, to Bloomberg's, anywhere
10 where you get growth-rate projections, you will not see
11 projections in dividend per share, book value per share,
12 or sales. So that shows how much the investment
13 community believes in those measures. So, that –

14 **Q** The earnings per share. Okay, thank you.

15 **A** Yeah.

16 **VICE CHAIRMAN RANDALL:** Thank you, Mr.
17 Chairman.

18 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
19 Randall.

20 Commissioner Hamilton.

21 **COMMISSIONER HAMILTON:** Thank you, Mr.
22 Chairman.

23 **EXAMINATION**

24 **BY COMMISSIONER HAMILTON:**

25 **Q** Mr. D'Ascendis, welcome back to South Carolina, sir.

1 **A** Oh, it's great to be out of the snow.

2 **Q** I bet so. Let me ask you about the predictive risk
3 premium model.

4 **A** All right.

5 **Q** Has this been accepted in other jurisdictions?

6 **A** Not expressly. It hasn't been – a commission hasn't
7 said, "This is what – we're going to go with your PRPM
8 over everything else," but decisions in Connecticut and
9 Pennsylvania, they incorporated. My colleague, Pauline
10 Ahearn, was up in Connecticut, and they took a couple of
11 risk premium analyses, which included the PRPM in it.
12 And then, in Pennsylvania, I – the ALJ in that case took
13 my entire position, which had the PRPM in it. The
14 commission backed off of it a little bit, but they also
15 said that – in the order, it said basically, you know,
16 we look at DCF, we look at – but we also look at other
17 models which may or may not be higher or lower than what
18 the DCF prescribes. Yes, yes and no. They don't
19 usually say it by name, but that's kind of how it is.

20 **Q** All right. Thank you, sir.

21 **A** Yep.

22 **Q** I hope you catch your flight, too.

23 **A** I think I can get good time now, yeah, I've got some
24 time, so if you've got any more questions –

25 **CHAIRMAN WHITFIELD:** Oh, there's Commissioner

Howard down there with his light on, so you might be in trouble.

COMMISSIONER HAMILTON: You might miss it.

[Laughter]

EXAMINATION

BY COMMISSIONER HOWARD:

Q Let's discuss business premium risk.

A Okay.

Q What constitutes business risk?

A So, like I said in the summary, business risk is pretty much any type of operating risk, which is common throughout, you know, water company to water company. Everybody has, you know, compliance with the Safe Water Drinking Act and all of the normal general operating risks. So the only thing that you could really put a nail down on would be size. Now, size is –

Q That was my next question.

A Right. So size is an issue because, you know, basically, if you're looking at Carolina Water Service, you know, they aren't going through – they don't have – you know, they're not – I guess, if you think about utility companies and they have economies of scale, right? So the bigger you are, the better you are off, right? So let's say, you know, you have a really hot summer and everybody's drinking water and you make tons

1 of money, but maybe sometimes it's a very mild summer
2 and nobody's drinking water and you get hurt. Now if
3 you're a large company with a large footprint – let's
4 say, American Water – you know, they're all over the
5 country, which spans several different states and
6 climates and things like that, so when it comes down to
7 operating, saying – and this is just a small example for
8 weather – they're going to say, "Oh, it doesn't matter,"
9 because they're holding a diversified portfolio of
10 assets.

11 When you get down – and, then, you know, the
12 smaller companies have trouble with large customers,
13 right? So the large customer says, you know, "We're
14 going to leave. We're going to go to another state,"
15 or, "We're going to go to another country," you know, it
16 doesn't make such a big deal with your operations
17 because you have so many customers, it doesn't matter.
18 So smaller companies have a problem with, say, you know,
19 these type of things that would affect their revenues
20 and cash flows, as opposed to large companies where a
21 lot of those things would have to happen before share
22 price or dividends or earnings per share would suffer.

23 **Q** Let's talk about regulatory risk.

24 **A** Okay.

25 **Q** Do you include regulatory risk in any of your analyses?

1 If a state's done – if some state commissions are more
2 lenient than others, where does that play in your risk?

3 **A** I did not consider that in my testimony. I mean, I do
4 when commissions, I think, are more risky than other
5 commissions.

6 **Q** You do?

7 **A** I do, but not for these – not for you guys, because, you
8 know, I think you guys are a pretty fair commission.
9 But when you get to, say, Maryland or D.C., those are
10 some rough commissions where you have to say, "All
11 right, well, this is going to be a problem." But, I
12 mean, for this case, I didn't consider it.

13 **Q** Thank you.

14 **A** Yep.

15 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
16 Howard.

17 Any other Commissioner questions for Mr.
18 D'Ascendis?

19 [No response]

20 If not, Mr. Elliott, Mr. Terreni, any redirect
21 for this witness?

22 **MR. TERRENI:** No, thank you, Mr. Chairman.

23 **CHAIRMAN WHITFIELD:** Well, if nothing further,
24 Mr. D'Ascendis, thank you for your testimony, and
25 you may be excused, and hopefully you'll catch your

1 flight.

2 **WITNESS:** Thank you. Thank you. It's always
3 great to be down here.

4 **CHAIRMAN WHITFIELD:** Yes, sir.

5 [WHEREUPON, the witness was excused.]

6 Mr. Elliott, did you want to –

7 **MR. ELLIOTT:** At this time, should we call the
8 panel back for cross?

9 **CHAIRMAN WHITFIELD:** Yes, sir, bring your
10 panel that you stood down – bring them back up.

11 **MR. ELLIOTT:** Y'all are sworn. We're through
12 with your direct testimony, and so you're subject
13 to cross by the other parties and Commissioner
14 questions.

15 THEREUPON came,

16 **R O B E R T M . H U N T E R ,**

17 **M I C H A E L R . C A R T I N ,**

18 **B O B G I L R O Y ,**

19 recalled as witnesses, who, having been previously duly
20 affirmed, were examined and testified further as follows:

21 **CHAIRMAN WHITFIELD:** Mr. Elliott, if I'm not
22 mistaken, you were through with Mr. Gilroy, so
23 we're ready for cross at this time, sir?

24 **MR. ELLIOTT:** That's correct. Through with
25 the direct, so cross for the parties and questions

1 for y'all.

2 **CHAIRMAN WHITFIELD:** Okay. Ms. Valtorta.

3 **MS. VALTORTA:** Yes.

4 **MR. NELSON:** Mr. Chairman, could we take down
5 the slides up there?

6 **CHAIRMAN WHITFIELD:** Yes, sir, Mr. Nelson. We
7 certain can. Can I get a – Mr. Richardson, could
8 you take that down, please?

9 **MR. RICHARDSON:** [Indicating.]

10 **CROSS EXAMINATION**

11 **BY MS. VALTORTA:**

12 **Q** Hello. Mr. Gilroy, since when have you been receiving
13 complaints from Forty Love residents about the LETTS
14 system, the sewage system?

15 **A** [GILROY] Probably going back as far as I can remember
16 here. 2015?

17 **Q** Okay. So why has it taken until now to do something
18 about it?

19 **A** [GILROY] We've been looking at it and doing something
20 about it for quite a while. Just like you're a customer
21 of ours, we're a customer of Richland County. So all
22 the sewerage that comes from our system goes to a lift
23 station that then pumps into the Richland County system.
24 What we've been doing, what we've noticed for all this
25 time and working as best we can with the County, is

1 trying to figure out why, when we have prolonged rain
2 events or heavy rain events, our lift station, our pump
3 station, has such a hard time getting into the County
4 system.

5 **Q** Okay. So, since, let's say, December 2014 until now,
6 what steps have you taken to look at the system in Forty
7 Love?

8 **A** [GILROY] We have taken several steps. Going back, we've
9 actually – before we had the monitoring equipment,
10 before we upgraded our lift station and put in
11 monitoring equipment to see exactly how it was
12 performing against the Richland County, we looked
13 specifically at our system, and one of the things, as
14 you know, we did is we, on a couple of occasions, we
15 walked the entire system, looking for any clean-outs
16 that were open, broken pipes, any illicit discharges
17 into the system. Most recently, we went around with the
18 engineering firm and smoked a lot of lines, to see if we
19 could find – which, we found some – see if we could
20 find, like, broken clean-outs that had been run over by
21 landscapers, or that type of thing, and then took care
22 of those as we found them. Also, when I was talking
23 about the lift station, because that's where everything
24 comes to, and we noticed that the flow just couldn't get
25 out, and that's when we went to the lift station and

1 hired a contractor to come in with remote monitoring
2 equipment to monitor on a real-time basis the flow
3 versus pressure on the effluent side.

4 **Q** Okay. So, with regard to the tanks that are in each
5 person's yard – now I know that Carolina Water Service
6 didn't install the system. As you point out, it was
7 installed by the developer. Yet, it belongs to Carolina
8 Water Service now; is that correct?

9 **A** [GILROY] Yes.

10 **Q** And so you're responsible –

11 **A** [GILROY] Yes.

12 **Q** – for its operation. If a tank were, for example, too
13 low in someone's yard, is there some reason why you
14 couldn't put it in another location?

15 **A** [GILROY] That would have a lot – well, till recently, if
16 you use an example of Mr. King, or, the Kings, or the
17 Dixons, whatever, just until recently we didn't really
18 look at the tanks, where they were in their location.
19 They were actually in the locations of where the builder
20 put it in relation to the taps that were existing.

21 To go to the answer, can we just relocate them,
22 that would be a difficult situation because now you have
23 to take into consideration the plumbing of the house and
24 where everything comes out and where, in relationship to
25 the main, and a suitable location to put the tank. It's

1 a pretty large tank.

2 **Q** But it could be done, right? I mean, if you thought the
3 tank was too low, could you move it to another place
4 and –

5 **A** [GILROY] Not necessarily, because if you take a house –
6 and, again, I'll use the example of Bobbie King and Jay
7 Dixon – you have a house that's already in a low
8 elevation, a low area, or closer to the lake, closer to
9 the main, and most of these things are on the lakeside.
10 So if it's already close and it has a full finished
11 basement with plumbing in the basement, you can't easily
12 just move the tank up, because you still have to have
13 that fall for the water to fall from the house to the
14 tank to the –

15 **Q** It's a case-by-case basis you'd have to look at; is that
16 correct?

17 **A** [GILROY] Pretty much, yeah.

18 **Q** Okay. Now, you've agreed, Carolina Water Service has
19 agreed, to hire an engineering group to look at the
20 system in the entire neighborhood; is that correct?

21 **A** [GILROY] That is correct.

22 **Q** Okay. What sort of testing will they do? Since –
23 you've already hired them; is that correct?

24 **A** [GILROY] Yeah. Mr. Cartin?

25 **A** [CARTIN] We've hired an engineering firm to look at lots

1 of different assets. I'm not sure exactly what they
2 plan to do with the Forty Love system, but I know that
3 they'll be looking to improve and modernize our system
4 in whatever way we can. That's part of something that
5 we're always trying to do, is invest prudent capital to
6 modernize our systems.

7 **Q** But you don't know what kind of investigation they're
8 going to do in the Forty Love neighborhood.

9 **A** [CARTIN] I do not.

10 **Q** What's the name of the engineering firm?

11 **A** [CARTIN] We've had – GMC agreed to go out and look at
12 our Forty Love system.

13 **Q** Is that a South Carolina firm?

14 **A** [CARTIN] It is.

15 **Q** Okay. All right. Mr. Cartin, I believe it was you that
16 mentioned you've hired a communications coordinator at
17 Carolina Water Service. Who is that person?

18 **A** [CARTIN] His name is Robert Yanity.

19 **Q** Robert Ganity?

20 **A** [CARTIN] Yanity.

21 **Q** Yanity? And how – if we have problems, how are we to
22 get in touch with him?

23 **A** [CARTIN] I can give you his business card before you
24 leave here today, if you like.

25 **Q** Yeah, what I'm trying to find out is, in general, from

1 you and Mr. Gilroy: When we have problems in our
2 neighborhood, we only manage to get them resolved or
3 move closer to a resolution when there's a rate case.
4 And so if you have a communications coordinator, how can
5 that person – will that person be able to do something
6 in between the rate cases?

7 **A** [CARTIN] Sure.

8 **Q** I mean, we really don't see any action until there's a
9 rate case, and that's – you said that – you had some
10 town hall meetings. Was that because the rate case was
11 coming up? Or are you just going to schedule those
12 every six months or so?

13 **A** [CARTIN] Well, we hired Robert Yanity. We were already
14 planning on coming in for a rate case. So those town
15 halls, in particular, we addressed the rate case, as
16 well as any other service issues, any questions the
17 customers had about our company. But, going forward,
18 our plan is to have these sort of open discussions, town
19 hall meetings, outside of rate cases. That's how I
20 prefer to meet with my customers, when I can. And
21 that's something that maybe we haven't done as good a
22 job in the past, but, going forward, it's a priority for
23 us to increase our messaging, our customer outreach,
24 education. That's something that we plan on doing,
25 moving forward, and I think you're going to see some

1 stuff from us in your area outside of rate cases moving
2 forward. That's our plan.

3 MS. VALTORTA: That would be great. Thank
4 you.

5 CHAIRMAN WHITFIELD: Thank you, Ms. Valtorta.
6 Mr. Knowlton.

7 CROSS EXAMINATION

8 BY MR. KNOWLTON:

9 Q Continuing the immediately preceding line of
10 questioning, if you were Mr. Yanity and – how would you
11 respond on behalf of the utility when three years of
12 sewage spills and people screaming were going on and
13 very little had been done?

14 A [CARTIN] Which sewage spills are you referring to?

15 Q Well, the backups in the Forty Love neighborhood.

16 A [CARTIN] Could you ask that question again?

17 Q Well, I went to one of – in fact, it was Mr. Yanity's
18 first meeting up in York County. And I felt very sorry
19 for the man. He's got a very tough row to hoe, because
20 it's hard to do PR for a company where the record is
21 lacking, to be diplomatic. So I just don't know – I
22 feel sorry for the guy. He seemed like a very nice man,
23 but he was woefully uninformed what it was like to be a
24 CWS customer. Woefully.

25 A [CARTIN] I didn't hear a question there. I heard a

1 statement.

2 **Q** Yeah, so the question was, if you're the company
3 information officer, how do you respond to people that
4 are having sewage backups into their home over a period
5 of years, that the company is not taking – I would think
6 a sewage backup, the second time, would become the first
7 order of business. It's not low water pressure, it's
8 not dirty water; it's sewage.

9 **A** [CARTIN] So, the answer to your question is, we've got
10 to be more proactive, we have to be more involved in our
11 communities, and do a better job of engaging our
12 customers and being a familiar face, a local face.
13 Hiring him was the first step in that direction. I
14 think it's fair to say we have more work to do. And I
15 think it's fair to say you'll see us doing a lot more
16 work on that in the future. I don't disagree with you;
17 he doesn't have the easiest job in the world. He's
18 committed to the cause and he believes in what we're
19 doing, moving forward.

20 **Q** Thank you. I believe it was Mr. Cartin who mentioned a
21 66 percent rate increase in the Columbia water supply
22 that you're passing on to the customers. Which one of
23 you did that?

24 **A** [CARTIN] That was me, yeah.

25 **Q** So what percentage of Carolina Water System customers

1 are affected by that 66 percent?

2 **A** [CARTIN] It was the City of West Columbia, for
3 clarification. But we serve approximately 3000
4 customers there. We have roughly 15,000 water
5 customers.

6 **Q** So that's approximately 20 percent, some – anyway.

7 **A** [CARTIN] Yeah, I try not to do calculations from the
8 stand. I'm doing approximations here.

9 **Q** Right, right. So to have cited the 66 percent increase
10 in Columbia water rates, when it only affects 20 percent
11 of the customers, and you're asking for the level of
12 rate increase you are, is perhaps a bit misleading.

13 **A** [CARTIN] I'm not sure I understand how that's
14 misleading?

15 **Q** Well, the facts are true, but the implication was that
16 because we're paying this much for our water, all the
17 customers should be paying this much more.

18 **A** [CARTIN] So, the way our rates are designed, we have
19 purchased-water customers and those cost increases for
20 commodity costs are spread amongst all purchased-water
21 customers, so that rate increase doesn't necessarily go
22 to every single customer but we consider it a best
23 practice to spread costs over a larger customer base.

24 **Q** And I understand that, because I belong to a purchased-
25 water customer agreement in York County.

1 A [CARTIN] Okay.

2 Q And I see you're spreading it out. However, the way the
3 testimony was given was waving a flag as if to say, "The
4 cost at which we're purchasing water has gone up 66
5 percent and that's why we need this," and, in fact, that
6 was not entirely the case?

7 A [CARTIN] My testimony stated that there's about \$½
8 million dollars in increased O&M that's directly
9 attributable to the rate increase that we received from
10 the City of West Columbia for bulk water.

11 Q Thank you. And so about \$½ million on that particular
12 point –

13 A [CARTIN] Yes.

14 Q – would be the 66 percent? Thank you.

15 A Correct.

16 Q Can you tell me how long you've known there were
17 problems at the condemned sewage treatment plant?

18 A [CARTIN] I've been working with the company since 2014.
19 Since I've been with the company, I know there's been
20 maybe a couple of effluent limitations that weren't
21 perfectly met, but I was unaware of any major issues at
22 the plant. It operated pretty well for the three and a
23 half, four years I've been here.

24 Q Okay. So, the plant was condemned even though it seemed
25 to have been working all right, with a couple of

1 incidents?

2 **A** [CARTIN] Yes. We – the Town of Lexington brought a
3 condemnation action against us, and we didn't oppose the
4 condemnation action, because the Town of Lexington
5 refused to let us interconnect. There was really
6 nothing we could do except for try to get fair market
7 value, so we actually – we didn't oppose the
8 condemnation; we actually worked to achieve this. I
9 know the word "condemnation" sometimes has bad
10 connotations with it, but, really, we're just trying to
11 get fair market value for our system.

12 **Q** You mentioned that, to your knowledge, in the
13 approximately four years you've been here, there were
14 two effluent incidents at that plant?

15 **A** [CARTIN] I can't speak to that. I'm not sure.

16 **A** [GILROY] I can. There were more than that. I don't
17 know the exact number, sitting here, but there were more
18 than that. And you understand, it's not a typical
19 wastewater treatment plant, and there was no dumping of
20 raw sewage into the Saluda. In fact, this plant is
21 probably two and a half miles – or the assisted
22 collection system, and the plant is about two and a half
23 miles from the Saluda River. What this plant has is an
24 aerated lagoon. It's about five and a half, six acres.
25 It's an aerated lagoon that has 16 aerators in it, so

1 there is no process control other than keeping an oxygen
2 rate to the plant, and then the effluent is chlorinated,
3 and then before it goes to the receiving stream it's
4 dechlorinated.

5 Now, during this time, because it is a lagoon – you
6 can think of it as a pond or a small lake or whatever –
7 you do have seasonal turnovers, and that's one of the, I
8 don't want to say drawbacks, but that's – when you have
9 a pond in the ground like that, when you have springtime
10 or when you go into the fall, you have seasonal
11 turnover. The water actually turns over, becomes turbid
12 for a few weeks, and you experience things such as algae
13 blooms. The algae bloom and then the algae dies off,
14 those type of things.

15 So, yes, over the years, there have been – you
16 know, if the BOD limit is 45 milligrams per liter, and
17 that's what you're allowed, and it comes back as 47,
18 that's a violation. If you have a TSS that's 20
19 milligrams per liter, and it comes back as a 25 or even
20 a 20.5, that's a violation – that's not raw sewage, and
21 that's just from that sample – and those type of things.

22 **Q** I don't necessarily expect to get a straight answer for
23 this question, but I'm going to ask it anyway. How many
24 of these incidents would you say happened during
25 seasonal times?

1 **A** [GILROY] The majority.

2 **Q** I think, Mr. Cartin, again. The incident with the meter
3 readers, I've read quite a number of these stories over
4 the years, and we had the same situation where I live in
5 Foxwood, and you've indicated that now spot-checking is
6 happening for meter readers in that area. Is spot-
7 checking a regular program of the company, or do you
8 wait until there's a problem to institute a spot-check?

9 **A** [CARTIN] In response to the recent issue, which I
10 mentioned in my testimony, I began asking my field staff
11 to do random verification of meter reads, to go behind
12 our meter readers, to try to prevent this incident from
13 happening again.

14 **Q** So you don't know, in the rest of your CWS systems,
15 whether it's up to the customers to find the anomalies
16 or whether the company is being proactive?

17 **A** [CARTIN] We're being proactive. That was companywide;
18 it wasn't just for that isolated area.

19 **Q** Mr. Gilroy, do you know if the capital improvement of
20 \$14 million that you mentioned included any work on that
21 condemned sewage plant?

22 **A** [GILROY] On the I-20?

23 **Q** Yes.

24 **A** [GILROY] No, because it's been in litigation for a good
25 number, and it was running on an expired permit, so

1 there weren't upgrades to it. And it's supposed to
2 interconnect, so – and as a matter of fact, the permit
3 was subsequently denied, so, no, there wasn't any money
4 put into that, other than keeping up the operation of
5 it.

6 **MR. KNOWLTON:** Thank you, very much.

7 **CHAIRMAN WHITFIELD:** Thank you, Mr. Knowlton.

8 South Carolina Office of Regulatory Staff, Mr.
9 Nelson.

10 **MR. NELSON:** Thank you, Mr. Chairman.

11 **CROSS EXAMINATION**

12 **BY MR. NELSON:**

13 **Q** Mr. Gilroy, I think I'm going to start with you. I want
14 to go to the discussion about the equalization liner
15 that we had before. Has that equalization liner now
16 been installed at Friarsgate?

17 **A** [GILROY] No.

18 **Q** So it's still not in service?

19 **A** [GILROY] Correct, not.

20 **Q** Could you remind the Commission briefly – I know you
21 talked about it this morning. Could you remind us
22 exactly kind of what an EQ liner is?

23 **A** [GILROY] It's basically a heavy-mil plastic liner that
24 goes in an inground basin that holds water.

25 **Q** What is in place now? At the pool you mentioned,

1 before, or something, what is in place now on that area?

2 Is there anything in there?

3 A [GILROY] Yeah, there's a liner in there now. It's not
4 in operation.

5 Q So you need to remove that liner, or –

6 A [GILROY] Huh-uh.

7 Q Okay. And then, before you put the new liner in –

8 A [GILROY] Correct.

9 Q So is there any way – I still don't understand on the
10 theory here. How is that liner – the liner is, what,
11 sitting outside somewhere, in a warehouse or something?

12 A [GILROY] No, the liner was actually put in.

13 Q Okay, I'm really confused now.

14 A [GILROY] Yeah.

15 Q Okay. What – we've got an EQ basin out there, an EQ
16 pool out there.

17 A [GILROY] Uh-huh.

18 Q There's been a liner – what –

19 A [GILROY] Okay.

20 Q – is in place in there right there?

21 A [GILROY] What's in there right now is a liner, a new
22 liner. There's also the temporary tank, the 1.6 million
23 gallons, actually in operation. The new liner that's in
24 there is not in operation because of the compaction of
25 the ground underneath, and the remediation, and then

1 they compacted it. We have to go back because it wasn't
2 correct.

3 **Q** So y'all are back in the process of having to correct the
4 – I guess I'm thinking like the pool at my house where
5 you've got to set everything just right for it to –

6 **A** [GILROY] Yeah, the liner wasn't put in correctly – put
7 it that way – to account for the aeration.

8 **Q** All right, thank you. I want to go to the – while I've
9 got you, let me ask you something else. Talking about
10 the Friarsgate and Watergate system and the sludge-
11 removal cost.

12 **A** [GILROY] Uh-huh?

13 **Q** Would you say that there was an unusual high level of
14 expenses for sludge removal during the test year at
15 those two facilities?

16 **A** [GILROY] One being Friarsgate and one being, which?

17 **Q** Yeah, Friarsgate and Watergate.

18 **A** [GILROY] And Watergate? Unusually high? Yes.

19 **Q** So that wasn't a common year, from what you'd seen, as
20 far as your sludge-hauling cost goes; is that correct?

21 **A** [GILROY] No, in that year – I think that was the hot
22 year we had triple digits, so it was producing more that
23 way. And I think we also had the project going on with
24 the remediation.

25 **Q** So you'd say it was an unusual year, I guess, as far as

1 the costs go out there? Those two places?

2 A [CARTIN] Do you mind if I answer that?

3 Q Hold on, I'm talking to – I want to ask the witness a
4 question. Was that an unusual cost that you had?

5 A [GILROY] I would say in the – no.

6 Q Okay. Why was it usual then? Is it the same as you'd
7 had the prior years?

8 A [GILROY] No, but they won't – I don't think, year after
9 year, you'll have the same costs.

10 Q Okay. Going to the Friarsgate plant, then, we just
11 heard a discussion this morning that they were, I
12 believe, underway now to hook up that plant or that
13 system to the City of Columbia. Is that correct?

14 A [GILROY] Correct.

15 Q Okay. So what were your – what will your sludge-hauling
16 costs be after you do that interconnect?

17 A [GILROY] Zero.

18 Q Also, you'd mentioned in your rebuttal testimony, at
19 page two, line 20, you said ORS's adjustment to the
20 sludge-hauling costs in this case were contrary to
21 Commission precedent. Can you explain to me what you
22 meant by that?

23 A [GILROY] Let me find it. Was that in rebuttal?

24 Q Rebuttal testimony, yeah. Page two, line 20.

25 A [GILROY] [Indicating.] What I meant from that is just

1 the fact that, in my mind, it's known and measurable, so
2 you get recovery on known and measurable.

3 **Q** Are you familiar with the regulatory practice of
4 normalization?

5 **A** [GILROY] Not like I should be, no.

6 **Q** Okay. Mr. Hunter, are you familiar with that theory?

7 **A** [HUNTER] Theory, in general? Yes.

8 **Q** So is there a reason why these shouldn't be normalized,
9 then? Isn't that an accepted accounting practice when
10 it comes to public utilities?

11 **A** [HUNTER] I would say that it probably depends on the
12 type of cost. I would defer to an operational
13 perspective if that cost is something that should be
14 considered for normalization.

15 **Q** Going to general practices, too, then, if something
16 isn't used and useful yet, in a plant, why would you be
17 entitled to recover that or put that into rate base?

18 **A** [HUNTER] I would defer to Michael Cartin on that. It's
19 a regulatory matter.

20 **A** [CARTIN] I believe the environmental remediation work
21 that we did provides a benefit to our customers with the
22 environmental compliance, working closely with DHEC. We
23 do believe that that provides a benefit to our customers
24 and, therefore, is used and useful. That's my opinion.

25 Also, on the normalization, those sludge-hauling

1 costs are indicative of the costs that we're
2 experiencing today and moving forward.

3 **Q** So what costs have you had, specifically, for – what do
4 you call it? – environmental cleanup costs out there?

5 **A** [CARTIN] Correct.

6 **Q** Is that part of this million dollars we're talking
7 about, or is that a separate cost?

8 **A** [CARTIN] That's part of it, yeah.

9 **Q** But you don't have the liner in place and you're not
10 using it yet; is that correct? It's not used and
11 useful?

12 **A** [CARTIN] Correct, the equalization – the new
13 equalization basin is not currently in use.

14 **Q** While we're talking about Friarsgate, then, you said
15 environmental cleanup. Why – I mean, this all came
16 about because y'all were found in violation of your
17 NPDES permit; is that correct?

18 **A** [CARTIN] It was – this came about as part of a consent
19 order, which we worked collaboratively with DHEC to
20 achieve.

21 **Q** You worked collaboratively because they came in and said
22 you were violating your permit; isn't that correct?

23 **A** [CARTIN] I'm not sure.

24 **Q** What was going on out at Friarsgate that led to the
25 consent order? I mean, generally – and maybe Mr. Gilroy

1 is the right one, since I know you're more –

2 **A** [GILROY] Yeah, what was going on was prolonged – over a
3 long period of time at Friarsgate, we had a very good
4 record. For as long as I've been here, and I started in
5 1989. What happened in 2016, in the later part of June
6 – almost June 20th, to be exact – is we had a plant
7 upset. And the plant upset was an oxygen deficiency
8 from aeration diffusers that caused an upset in the
9 plant, along with the first day on June 20th, I believe,
10 is when we got the triple digits – it was a very, very
11 hot day – so that made the aeration levels, the
12 dissolved oxygen levels, critical. We had an upset in
13 the plant and that carryover.

14 **Q** So all this, though, has led to this liner, I guess,
15 too, having – y'all had to, I guess, rebuild the plant
16 out there, as a result of the issues you had?

17 **A** [GILROY] A lot of it. It's hard to explain, because we
18 did have this – it was basically several days of a fecal
19 violation, over the 400 count limit. And when that
20 happened, when you had the carryover, that was
21 remediated I think within a day, a day and a half, to
22 take care of that. What had happened, though, with this
23 carryover is it went through all the downstream basins
24 in the plant. So when we got the aeration taken care of
25 and everything that we saw was taken care of, and

1 working alongside DHEC, because they were there, we
2 still had fecal violations even though the plant was
3 operating okay at that time, compliantly at that time,
4 and coming around the UV disinfection process, for lack
5 of a better word, we were measuring the fecal there,
6 which was coming back less than one, or zero. The limit
7 is 400. But yet, in the effluent going out it was
8 coming back at elevated rates, anywhere from 450 to
9 1200, greater than 1200. And in that case, that's when
10 we went back and we looked at all the basins, especially
11 the concrete basins, going back around there where that
12 had been contaminated. So that's why it took so long is
13 we now had to go back and reline – re-grout basins, re-
14 line basins, construct new basins out of – or line
15 concrete basins with stainless steel, to get it to stop
16 or to get back in compliance.

17 **Q** While I'm on that subject, then, wasn't one of the
18 things that – well, when did you enter the consent
19 order, then? You entered a consent order at some point
20 with DHEC, right? About July 2017, does that sound
21 right?

22 **A** [GILROY] Yeah, that's correct.

23 **Q** Part of that consent order, didn't they order you or
24 didn't you agree to, under that order, to have W.K.
25 Dixon write an operations manual for that plant, for the

1 plant operations at Friarsgate?

2 A [GILROY] Yes, not write it but update the one we had.

3 Q Hadn't they told you to do that previously, in 2016?

4 A [GILROY] Uh-huh, and we did.

5 Q And you did. When did you do then, though?

6 A [GILROY] When we revised what was in it. What they
7 wanted was a much more robust O&M manual, basically –
8 yeah.

9 Q So y'all tried to do it yourselves, then you were
10 required under this consent order with DHEC to go out
11 and hire a third-party South Carolina engineering firm
12 to do that; is that correct?

13 A [GILROY] Correct.

14 Q And y'all think that that's a cost that should be passed
15 on to the ratepayers because y'all didn't write the
16 manual right the first time; is that right?

17 A [GILROY] Well, I think the manual was okay the first
18 time, because it had gone through previous CSI – or
19 compliance sampling inspections – and compliance
20 evaluation inspections at many of our plants, and it was
21 okay at that time. And then we were asked to revise it.
22 Basically, the revisions were updating emergency numbers
23 or contractors, new contractors that we're using, and
24 those type of things. When the upset happened – and
25 rightfully so – they wanted a more robust manual that

1 basically spelled everything out. Not that, when this
2 happened – you know, when you open this sluice gate and
3 then turn this valve, you know, you open this valve;
4 it's where now, you open a sluice gate, and you turn the
5 valve this many times, you turn this one this many
6 times. You know, that type of thing.

7 **Q** That's one of things that W.K. Dixon has done out there;
8 is that right?

9 **A** [GILROY] Yeah, it's a more intensive – more intensive
10 instruction manual, if you may.

11 **Q** What else has W.K. Dixon done for y'all out there?

12 **A** [GILROY] Made some notes. W.K. Dixon – all – everything
13 that was done at that plant, even before the consent
14 order, that led up to the – once we had the upset, W.K.
15 Dixon was there. And we had to do a lot – anything we
16 did at the plant, you had to get permission to do from
17 DHEC. You can't just change things. So when we changed
18 out the diffusers, we had to get permission from DHEC to
19 do that. And then, "How are you going to change them
20 out? What kind of diffusers are you going to use," that
21 type of thing. When we went and we re-lined the basins
22 with steel or re-lined them with another product, you
23 had to get permission from DHEC, and, in that, there's a
24 permitting process that you had to go through with the
25 director of Permitting, at that time. So we needed –

1 W.K. Dixon did a lot of the correspondence back and
2 forth, submitting applications on an expedited manner,
3 to get that stuff done.

4 **Q** All of this work that was done was all part of what
5 y'all had agreed to with DHEC, based on this consent
6 order that you had entered?

7 **A** [GILROY] A lot of the work was done just before the
8 consent order, and then most of it – a lot of it was
9 done afterwards.

10 **Q** Let me go to Mr. Cartin. You're probably the right one
11 to ask about this. Let me ask you about some of the
12 lawsuits and some of the legal costs that were involved.
13 Would you remind us, what's the current status of the
14 case with the Congaree Riverkeeper, that federal
15 lawsuit?

16 **A** [CARTIN] It's still pending in court.

17 **Q** So do you agree, then, that at this point the order
18 still hasn't resolved or absolved CWS of any liability
19 as far as that case goes?

20 **A** [CARTIN] I think you made it clear earlier that I'm not
21 an attorney, but that's my understanding, yes.

22 **Q** In other words, right now, you aren't having to pay that
23 million and a half fine, but there's no finality on that
24 case. Is that your understanding of it?

25 **A** [CARTIN] Yes.

1 Q Okay. What is – and again, this is a case – could you
2 explain to me a little bit – and we've heard a lot of
3 discussion about it. Could you tell me what the case
4 is, as far as you understand, again? I know you're not
5 a lawyer. But, as far as you know what this case was
6 about, could you briefly tell the Commission your
7 understanding of that?

8 A [CARTIN] My understanding is, the Town of Lexington is a
9 designated 208 provider. We were supposed to tie in
10 this plant, which is as in the plan, with the Town of
11 Lexington. We feel like we've tried everything we could
12 possibly do to do that. The Congaree Riverkeeper sued
13 us for not meeting the requirements of the 208 plan. We
14 feel like we've done everything we can, and the last
15 resort was condemnation; that's why we were in favor of
16 the condemnation, because we want to get that pipe out
17 of the lower Saluda River and be in compliance with the
18 208 plan. So that's my understanding of it is we were
19 sued for not being – for not having that pipe out of the
20 river, but we couldn't get it out. I mean, we've tried.

21 A [GILROY] Could I say something here? We talked about
22 the Friarsgate plant and the interconnection – the
23 coming interconnection with the City of Columbia, which
24 they are a designated 208 plan provider. And that's
25 very positive, and we're going to have that out in

1 record time, according to the permit. In the I-20, that
2 was not the case. We had a 208 plan provider who
3 basically said, "No, you can't connect." For whatever
4 reasons they had, being a 208 plan provider. So, that
5 was basically a dominoes-type effect after everything
6 happened.

7 **Q** If there are any fines that are imposed by the court in
8 that case, or if attorneys' fees are awarded to the
9 Congaree Riverkeeper, are those costs that you would
10 seek to get back from ratepayers?

11 **A** [CARTIN] I'm not seeking any recovery of those costs in
12 this case. I'm not sure; I'd have to look at it.

13 **Q** If there was a violation of your NPDES permit found by
14 the federal court, would that be – and there were a fine
15 imposed on that – would that be something that you'd
16 feel you would be entitled to recover from ratepayers?

17 **A** [CARTIN] No, we've never sought recovery of fines from
18 ratepayers.

19 **Q** Well, y'all are seeking to recover the costs of
20 defending this legal action, from ratepayers, correct?

21 **A** [CARTIN] Yes.

22 **Q** How is that exactly benefiting the ratepayers?

23 **A** [CARTIN] It's limiting our – we have to defend
24 ourselves, Jeff – Mr. Nelson. I'm sorry. We didn't
25 choose to be sued. You know, we were sued, and we're

1 defending ourselves. And it's in the company's interest
2 and the ratepayers' interest for the company to
3 vigorously defend itself and limit ourself from our
4 exposure to liability. We have to defend ourselves, as
5 a company, as would any company. We didn't choose to be
6 in the situation. We've tried to do everything we can
7 to get out of it. Here we are.

8 **Q** How long was this system operating either without a
9 permit or without doing this tie-in? Again, Mr. Gilroy
10 said there was – I think it's one of – a 208 permit in
11 this case?

12 **A** [GILROY] Uh-huh.

13 **Q** Can you tell me how long this battle was going on with
14 the Town of Lexington?

15 **A** [GILROY] Well, I think the permit – well, I wasn't
16 involved in it, so I don't know. This is more or less
17 secondhand. But there had been attempts, and I think
18 there's been an attempt when we came here to tie that
19 plant in, going back to the '90s.

20 **Q** So we're talking 20 years plus, I guess, this –

21 **A** [GILROY] Yeah.

22 **Q** – has been going on? Were there any other alternatives
23 that were sought before you – I mean, it seems like when
24 you finally got sued, y'all finally worked something out
25 with Town of Lexington. Is that true?

1 **A** [CARTIN] Well, the lawsuit's been going on for a long
2 time. As you remember, in the last case, we sought
3 recovery for approximately \$600,000 in legal fees, which
4 ORS proposed be amortized and recovered over 66 years,
5 and this Commission approved. So it's been going on
6 for, yeah, a while, since before the last case.

7 **Q** What about – talking about the *River Runner* case,
8 because there was some mention about that, too, and I
9 guess that's somebody that runs a kayak or canoe
10 operation on the river. Is that – I think you said
11 that's in circuit court, State court in South Carolina,
12 is that right?

13 **A** [CARTIN] I can tell you [indicating]. That is in the
14 Richland County Court of Appeals.

15 **Q** Okay. Are you all seeking legal fees to defend that
16 action?

17 **A** [CARTIN] No.

18 **Q** What is the difference between – why are you not seeking
19 it in that case, yet you're seeking it in the *Congaree*
20 *Riverkeeper* case?

21 **A** [CARTIN] Well, we sent it to our insurance carrier. We
22 haven't experienced any, really, costs yet on that.
23 It's pending and we've appealed it.

24 **Q** So insurance covered what happened, as far as the *River*
25 *Runner* case goes. Can you explain why insurance

1 would've covered that and insurance wasn't covering –
2 **A** [CARTIN] I cannot. But we can look into that for the
3 Commission.

4 **Q** I'm just curious why. if insurance is providing coverage
5 for you under one lawsuit, why it isn't providing
6 coverage for you in another lawsuit. You just – you
7 don't know, I guess is your answer?

8 **A** [CARTIN] Right. We'd previously established a
9 regulatory asset with approved recovery on it, in our
10 last rate case, so we closed that out. And as costs
11 continue to go in the same litigation that was handled
12 in the last case, we just established the same new asset
13 and treated the costs the same way as established in the
14 last order.

15 **Q** Going to the legal fees, then, you're asking to amortize
16 these over 66 years?

17 **A** [CARTIN] That's correct.

18 **Q** So ratepayers are going to be paying this legal bill for
19 the next 66 years; is that correct?

20 **A** [CARTIN] Yes, and that was consistent with ORS's
21 proposal in the last case, which is why I proposed
22 66-2/3 years in this case.

23 **Q** ORS's agreement to that was the result of a settlement
24 agreement being entered into in that case; isn't that
25 correct?

1 **A** [CARTIN] Yes. So, initially, we proposed to recover it
2 over, I believe it was five years. Y'all countered in
3 your rebuttal that it should be recovered – it might be
4 in your direct; I'm not sure. But y'all had countered
5 that it be recovered over 66-2/3 years, which is
6 consistent with how we depreciate our assets, and we
7 agreed to that in settlement.

8 **Q** I want to go to something just to try and get an
9 explanation here, maybe. And this is going to the LETTS
10 and septic tank. I know that we had a public witness
11 that came to the hearing here last month, that talked
12 about not being able to get his LETTS tank pumped out by
13 the company. In other words, when he called, y'all
14 basically referred him to a third party. There's a
15 provision in your tariff that says you will pump out – I
16 think it's for up to \$150? Is that something that the
17 company no longer does now, then, is provide that
18 service?

19 **A** [CARTIN] No, that's still something we provide.

20 **Q** Can you explain what the public witness was referring
21 to, then?

22 **A** [CARTIN] He may have gotten a brand-new customer service
23 rep that didn't know that, and that's our fault. We
24 need to better educate our customer service reps on –
25 we've had a lot of high turnover in customer service, as

1 you can imagine through any CSR type set up, so we try
2 to do our best to always educate new CSRs, and it
3 must've just been an oversight, because everyone I've
4 talked to, they're familiar with our tariff and they're
5 aware of that pumping charge.

6 **Q** And the \$150 is still the pumping charge?

7 **A** [CARTIN] It is. That's what we're allowed to charge our
8 customers. It costs us more than that.

9 **Q** I want to go to your surrebuttal testimony that you
10 filed yesterday, and I guess it's actually – Mr. Terreni
11 couched it as, I think, supplemental testimony, as to
12 actually what it is. And regarding the 35 percent
13 federal taxes, which the company's been collecting since
14 January 1st, I want to go to – look on page three, and
15 this is something I discussed earlier this morning. If
16 you would go look at page three of your testimony, lines
17 five through seven, starting with line five and just go
18 through, just reading that sentence, can you read that
19 sentence for us, please?

20 **A** [CARTIN] "The company would need to have been over-
21 earning during this time to trigger a refund to our
22 customers."

23 **Q** What is the basis for your drawing that conclusion?

24 **A** [CARTIN] Our basis is, we set rates based on the
25 Commission-approved order in the last rate case, and

1 it's my understanding that, unless we're over-earning,
2 the rates haven't changed and we're charging rates
3 within our tariff, that we should not have to refund our
4 customers for charging rates that were approved by this
5 Commission to be charged.

6 **Q** Who's asking for a refund in this case?

7 **A** [CARTIN] The ORS has a proposed adjustment. I read it
8 as a refund of revenues, as I understand it.

9 **Q** So it's an adjustment going forward, though. We're not
10 asking the Commission to order you to write checks to
11 your customers.

12 **A** [CARTIN] It's an adjustment to our revenues for an
13 estimated time period that you're saying we should
14 refund to our customers over three years.

15 **Q** We'll agree to disagree on the use of the term "refund."

16 **A** [CARTIN] Okay.

17 **Q** At the bottom of the first page on your surrebuttal, you
18 mention purchased-water and -sewer expenses due to rate
19 increases from York County as something that CWS will
20 experience but not be able to recover. And maybe – do
21 you need to go look at that?

22 **A** [CARTIN] I'm familiar with it.

23 **Q** Isn't this, in fact – aren't you actually – don't you
24 have a deferral account that you're keeping those
25 amounts in, so that every time you come in for a rate

1 case, those amounts then get paid back? The company –
2 you're actually getting money?

3 **A** [CARTIN] Right, so maybe that wasn't the best, you know,
4 perfect example, but we wouldn't be able to come in and
5 get recovery of those expenses right now. We're going
6 to have to defer them, not get any carrying costs, and
7 seek recovery of them in another rate case. But, I
8 mean, that's just one example of where I was trying to
9 say that y'all were looking at this in a vacuum, you
10 were looking at the 35 to 21, we shouldn't have been
11 charging these rates which were approved. You're not
12 looking at all the other different moving pieces of our
13 expenses. Yeah, our purchased-water expense went up.
14 We were continuing to invest capital through the
15 estimated revenue period y'all reference, May 10th. So
16 I was just using that as an example of there's tons of
17 different expenses and costs. I didn't understand why
18 we would need to refund revenue, or give it back.

19 **Q** So you maintain a deferral account in order to keep
20 track of the dollars that, in this case, as far as the
21 water charges go, when York County or somebody goes up
22 on their purchased-water cost, you're losing a certain
23 amount of money, so whatever the difference is between
24 what you were charging the customers for it and what
25 you're having to pay for it, that's the amount that goes

1 in the deferral account?

2 **A** [CARTIN] Correct.

3 **Q** So, same way, this is just keeping track of an amount of
4 money that, in this case, you thought we were owed, or
5 think that you will be owed in the next rate case when
6 it comes to water, purchased water, right?

7 **A** [CARTIN] Correct.

8 **Q** And that's the purpose of a deferral account is to keep
9 track of those dollars that are either owed to you or
10 owed by you, correct?

11 **A** [CARTIN] Correct. Where my disagree was that – my not-
12 legal opinion is that this is retroactive ratemaking.
13 We set rates in 2015, as well as a regulatory asset
14 going forward, and y'all have picked this time period of
15 January 1st through May 10th and decided that, those
16 revenues, we weren't entitled to, even though we were
17 billing within our rates.

18 **Q** When did the new tax rate – when did the 21 percent
19 federal corporate tax rate go into effect?

20 **A** [CARTIN] January 1st.

21 **Q** So that wasn't really a random date that we picked on
22 January 1st; that's when the new 21 percent tax rate
23 went into effect.

24 **A** [CARTIN] Not saying it's a random date, but it's beyond
25 the audit cutoff period. And, I mean, the issue I guess

I had as we went to great lengths to work with tax professionals, auditors, ORS. From the day we knew about the tax reform, we worked closely with ORS to understand all impacts of this tax reform. And to ORS's credit, they worked long, hard hours working with us, tons of data that was reviewed. And I felt like we settled on all the – not “settled” but we agreed that we had – that the company had willingly, once we found out about tax reform, we willingly proposed these adjustments in our direct testimony. We wanted to give the benefit to the customers in a timely manner, which we think we're doing. We came in in a timely manner, we filed before the tax change. We feel like our adjustments have captured all known and measurable aspects of the tax reform. And it's my understanding, from working with your staff, that ORS agrees with us on everything except for this refund or giving-back issue.

Q I won't disagree with you on that point. You're absolutely right. As far as our agreeing on everything except for this one issue –

A [CARTIN] Right.

Q – when it comes to the taxes, you're absolutely right. Let me – during the course of your legal research and preparing your testimony, did you come across the *Porter versus Public Service Commission* case, which was a CWS

1 appeal back in '97?

2 **A** [CARTIN] I did not.

3 **Q** Well, let me ask you a line of questions, then, here.
4 Isn't this amount between the old 35 percent and the 21
5 percent – wouldn't you agree that that amount of money
6 from January 1st to May 10th there, for the difference
7 in taxes, is a nonrecurring event? A nonrecurring
8 charge?

9 **A** [CARTIN] Can you repeat that? I'm sorry.

10 **Q** Sure. That amount of money that we're talking about
11 here, which was between January 1st and probably May
12 10th – which I believe is when the Commission noticed
13 their order here – the amount of money between, the
14 difference between the 35 percent, the old 35 percent
15 corporate rate, and the 21 percent rate, that amount of
16 money is a nonrecurring specific amount of money. Do
17 you agree with that?

18 **A** [CARTIN] I don't think I understand. But my tax expert
19 here, Bob Hunter, do you understand what he's asking?

20 **Q** Mr. Hunter, do you know?

21 **A** [HUNTER] It still doesn't seem clear to me, either, the
22 basic question.

23 **Q** I'm going to ask you – this isn't something that's going
24 to happen time and again, is what I'm saying. By
25 “nonrecurring” that's what I mean; this is a one-time

1 event where we've got this – because we had a change in
2 the federal tax law, in the rate, from 35 to 21 percent
3 – we have this amount of money that we're claiming, that
4 y'all say you're entitled to and we say the ratepayers
5 are. This is a one-time nonrecurring event, one-time
6 amount of money that we're talking about. Is that
7 correct?

8 **A** [HUNTER] Yes. The last time the tax rate changed was
9 1986, I believe.

10 **Q** Would you also agree with me that when rates were set
11 for CWS back in 2015, that this was unanticipated that
12 we would see a change or a drop in the federal tax rate
13 like this?

14 **A** [HUNTER] I think that's fair, but I think you're always
15 going to see tons of costs change, as we talked about
16 throughout this entire proceeding. I mean, like I said,
17 we didn't expect to get a 67 percent increase from the
18 City of West Columbia in the last rate case, and if we
19 could come back in retroactively and ask for different
20 levels of expenses as they change in between cases, we
21 would love to, but my understanding of the law is we set
22 rates prospectively. And we came in in a timely manner
23 and we provided, and happily, we've tried to give all
24 known and measurable benefits to our customers of this
25 tax rate, and we're in here for a much smaller rate

1 increase than we had initially requested due to the tax
2 reform.

3 **Q** So your answer is yes.

4 **A** [HUNTER] Yes.

5 **Q** Thank you. I'm going to go to Michael – excuse me – Mr.
6 Cartin.

7 **A** [CARTIN] Thanks. I called you Jeff earlier. Sorry.

8 **Q** I want to go to page – well, yeah, let me go to page
9 three, line 13, on your surrebuttal testimony. And you
10 make an allegation or a statement there that seems to
11 indicate that you're saying that how the Commission
12 rules on this is going to determine when you file your
13 next rate case. Is that right? Look at line 13, see
14 where – starting, I guess, there at line 14.

15 **A** [CARTIN] What I was saying was that this would
16 accelerate our need for another rate increase if we
17 weren't allowed to get the revenues – if we had to
18 refund revenues that were collected through approved
19 Commission rates. It would lower our return.

20 **Q** So how is the benefit illusory, though, to ratepayers?
21 Isn't it a \$241,000 benefit to ratepayers?

22 **A** [CARTIN] Well, then we'd be – we believe that it would
23 make us have to come back in for a rate case sooner, so
24 I'm not sure that's a direct benefit. I think the
25 longer we stay out is a benefit.

1 **Q** Mr. Hunter, I'm going to ask you just a couple more
2 questions, and I think I'm done here.

3 **A** [HUNTER] Okay.

4 **Q** You testified this morning that CWS has not been allowed
5 to earn its rate of return. Do you recall testifying to
6 that?

7 **A** [HUNTER] Yes, sir.

8 **Q** Do you mean – don't you just mean you are unable to? I
9 mean, you don't have a right to earn your approved rate
10 of return, do you, you just have the opportunity to earn
11 that?

12 **A** [HUNTER] That's fair.

13 **Q** Okay. So can't you also earn your authorized rate of
14 return by reducing expenses, just as much as you could
15 by increasing your revenues?

16 **A** [HUNTER] It's possible, but it's – again, it comes back
17 to operation. We, as a business, have looked at our
18 expense before, and we don't – there are certain items
19 that are fixed, that we can't – that if we change those
20 or try to just lower expenses simply to try to meet an
21 authorized return, then we're putting at risk our level
22 of service, our ability to serve our customers in – just
23 in the way we want to serve them and the way we should
24 be.

25 **Q** How much was the tax break that we talked about here?

1 Do you have a dollar figure on that?

2 **A** [HUNTER] I believe there's – looking at the initial
3 Application, I want to say the number was about
4 \$877,000. That's just for the general impact of
5 changing the rate from 35 to 21. There's also other
6 amounts that are included when you look at the ADIT
7 adjustment. I can go into those, if you would like.

8 **Q** That's fine. No. That's the general number I was
9 looking for.

10 **A** [HUNTER] Okay.

11 **MR. NELSON:** Thank you very much.

12 No further questions, Mr. Chairman.

13 **CHAIRMAN WHITFIELD:** Thank you, Mr. Nelson.
14 Is there any redirect?

15 **MR. ELLIOTT:** There will be redirect of all
16 witnesses, but would it not be better after
17 Commission questions?

18 **CHAIRMAN WHITFIELD:** Okay. We're going to
19 take a little bit of a recess before we go into
20 Commissioner questions. So we'll take a break for
21 about 10 minutes.

22 [WHEREUPON, a recess was taken from 3:35
23 to 3:52 p.m.]

24 **CHAIRMAN WHITFIELD:** Please be seated. I'll
25 call this hearing back to order, and at this time

1 we'll now take Commissioner questions of this
2 panel.

3 Commissioner Randall.

4 **VICE CHAIRMAN RANDALL:** Thank you, Mr.
5 Chairman.

6 **EXAMINATION**

7 **BY VICE CHAIRMAN RANDALL:**

8 **Q** Just a couple of questions here. Mr. Cartin, we talked
9 about this, two or three other folks have, but I wanted
10 to make – on page three where you're talking about the
11 \$1,081,375 associated with the equalization basin at
12 Friarsgate, does that include the cost of the – that
13 million dollars – include the cost of the new liner?

14 **A** [CARTIN] No, sir.

15 **Q** Okay. Do you have an estimate of what that cost is
16 going to be?

17 **A** [CARTIN] I don't right now. If it's something that
18 you'd like me to follow up and get to the Commission, I
19 can, but I do not have it here with me.

20 **Q** Yeah, I think we'd like to know that.

21 Mr. Gilroy, Mr. D'Ascendis talked about economies
22 of scale. As you've been operating the company under
23 the Commission Docket No. 2014-399-WS, after the merger,
24 have you been able to achieve economies of scale from
25 that?

1 **A** [GILROY] I think that's a better question for Mr.
2 Hunter.

3 **Q** Okay. Whoever.

4 **A** [CARTIN] I could answer, too.

5 **Q** Okay.

6 **A** [CARTIN] One of the main efficiencies we've achieved is
7 not having to file four separate rate cases. Being able
8 to file one, that's one example. So the answer is yes.

9 **Q** Anywhere else? Has that been the biggest thing so far?

10 **A** [CARTIN] There are some, but they're minimal. I mean,
11 that's one of the bigger ones. It's really a major
12 benefit, we see, is being able to spread these costs
13 across a larger customer base. In that last one, for
14 instance, we took Southland Utilities' 200 customers and
15 put them as part of Carolina Water Service, so next time
16 I have to drill a new well in one of those subdivisions
17 that was formerly 200 customers, we can spread that cost
18 over 10,000 customers. Those are the real efficiencies,
19 besides the regulatory expense.

20 **VICE CHAIRMAN RANDALL:** Thank you.

21 Thank you, Mr. Chairman.

22 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
23 Randall.

24 Commissioner Elam.

25 <

EXAMINATION**BY COMMISSIONER ELAM:****Q** Good afternoon. Mr. Gilroy –**A** [GILROY] Yes, sir.**Q** – you discussed the LETTS system a bit, and it sounds like you've been around a long time. We were talking about LETTS out there at Forty Love in the early '90s, weren't we?**A** [GILROY] Back – yeah, that LETTS system's been there – mid-'80s, I believe.**Q** Okay. If you could, just briefly describe why a LETTS system needs to be there in the first place.**A** [GILROY] I wasn't there when it was put in, but it was designed by an engineer and submitted to DHEC for an approval to construct; they granted it. They reviewed the plans, asked their questions, got their answers, and then granted a permit to construct and then a permit to operate. I know how it works; I don't know what the reasons went into that, that long ago.**Q** Well, is there anything about the location or the geography of Forty Love that –**A** [GILROY] Yeah, the reason why it works there and most places that it's in, is you have – it's usually along – in our cases, along the lakefront, Lake Murray. So you have – it's a big displacement system. You have a six-

1 inch PVC line that runs from one side of the subdivision
2 all the way along the 360 line, along the lake – the 360
3 elevation line – along the lake. That's pretty much
4 level. And when it gets all the way down to one end,
5 you have the lift station there. Everyone along the
6 lake and then on the opposite side, on higher elevations
7 – because, basically, in that subdivision it's a
8 peninsula. It's shaped like this [indicating], so you
9 have the lakefront homes, then you have the street, and
10 then you have across from the lake, the inner homes. So
11 with all the tanks, everything works on displacement.
12 So that line is always full of water. It's not a
13 gravity system like you would see in most systems with
14 manholes and the water flows through until it reaches
15 its endpoint. If someone drains a sink of five gallons
16 of water, that five gallons of water goes down through
17 their plumbing, goes in that tank, and just like a
18 septic tank would, it displaces five gallons of gray
19 water, and that gray water flows into that pipe. Five
20 gallons, hundreds of yards away, falls into that lift
21 station. So, it's a big displacement.

22 **Q** Okay. And that's what causes problems when you have
23 heavy rains? It can't keep up with that?

24 **A** [GILROY] Not necessarily. Ours are twofold. Every
25 wastewater system, whether it's this type of system or a

1 typical gravity system – with the exception of a force
2 main system that's entirely made up of force mains
3 because there's no way for water to get in – the
4 engineers factor in a certain amount of infiltration,
5 because they're not tight, closed systems. In this
6 case, it is, with the exception of the septic tanks,
7 because they're concrete septic tanks. In the case of a
8 gravity system, you have manholes in the street, so
9 you're going to have water seepage around those when it
10 rains or whatever. In our case, it's kind of twofold,
11 in that you do have an amount of infiltration. It
12 should be an acceptable amount of infiltration,
13 according to the engineers, and it should be able to
14 handle it. And then you also have the purchased-
15 treatment provider, Richland County Utilities, who we
16 pump to, who has a problem with I&I. I can't speak to
17 that, because I don't know exactly what the problems
18 are.

19 What I talked about earlier is on our lift station
20 that everything falls into, and that's the displacement,
21 during heavier rains or whatever, we put monitoring,
22 remote monitoring equipment, so we can go to software
23 and look at the gallons per minute those pumps are doing
24 against what pressure they're going against on the
25 effluent side, which would be the Richland County side.

1 And there's a distinct – when you look at it – half-
2 inch, inch, little over an inch, isn't too much of a
3 problem. When you have rain that lasts for a couple,
4 two, three days, or you have a heavy downpour, two
5 inches, two and a half inches, that type of thing, looks
6 like a backup in our system, but when you look in the
7 pumping system and you look at the chart – so when it's
8 trending and we can see it in real time – you see the
9 pumps, the two pumps in there, are having to pump
10 against a higher head it's trying to get into, on our
11 purchase provider, so you have the gallons a minute, you
12 see the pressure going up on their side and our GPM is
13 becoming less efficient, our GPM is going down. Once
14 they start taking a dive, the longer that lasts, the
15 more the system starts to back up. And usually in those
16 cases, we've become pretty familiar with it over the
17 last few years, where we have – generally, have pump
18 trucks on standby and will go to an area that's
19 accessible on the other side of the system and actually
20 pump water out of the tank, take some of the stress off,
21 and avoid the situation if we can.

22 **Q** I guess where I'm getting is, if you were building that
23 neighborhood today, would you still need to put in a
24 LETTS system?

25 **A** [GILROY] I don't know. I'm only familiar with the LETTS

1 systems that we have, and I'm not a developer or
2 builder. So it would – I don't know what it goes to,
3 whether it's elevations, costs, those type of things,
4 whatever decisions were made back then.

5 **Q** Okay. So the company's never done any kind of analysis
6 of pricing to see what it would take to just put a
7 standard sewer system into that neighborhood.

8 **A** [GILROY] Yes – not a formal one. It's asking an
9 engineer what we would have to do, and their response
10 was, looking at the lay of the land, was there would
11 have to be multiple lift stations, because now you're
12 going to have gravities and you're falling and it has to
13 be pumped up, gravity, pumped up, gravity, to get to the
14 endpoint. And it would also, because of the elevations
15 there, be very, very deep manholes. And what I was told
16 on a couple of occasions was, to basically put a new
17 gravity, a typical gravity system in there, you would
18 have to take up all the streets, because it would have
19 to be very deep in a lot of places.

20 **Q** Okay. The public witnesses this morning, and I guess
21 they were in The Landing –

22 **A** [GILROY] The Landings, yes.

23 **Q** – Subdivision, and they were talking about a problem
24 with water pressure. Can you talk about what's – the
25 company is aware of that?

1 **A** [GILROY] I'm not aware of that. We have – again, like I
2 stated earlier, we purchase water from the Joint
3 Municipal Water and Sewer Commission. It originates at
4 the lake, which is right nearby. We have an
5 interconnect right on Old Cherokee Road, right in the
6 front of the subdivision. And as a matter of fact, we
7 have a pressure regulator on that interconnect, so that
8 their pressures don't get too high.

9 Now, one of the things we've found, and it's the
10 same in Forty Love where we did an interconnection and
11 another place we had, you have to take into
12 consideration elevations. So you have to not blow out
13 the people on the lakefront, the lower elevations, while
14 making the people on Moontide Court, which is a much
15 higher elevation, satisfying their pressure demands.

16 **Q** Okay.

17 **A** [GILROY] So, generally, you're going to get – I'm not
18 aware of the fluctuations, and I will look into that,
19 but generally you have higher pressures at the lower
20 elevations, and lower in the high, and you try and make
21 that happy medium.

22 **Q** Okay. If you could look at page nine of your prefiled
23 direct, you state that, "Since November 2017, the
24 company has held several meetings with the City of
25 Columbia and Richland County to discuss interconnecting

1 Friarsgate Wastewater Treatment Plant with their
2 systems.” Is that correct?

3 **A** [GILROY] Yes.

4 **Q** Okay. You state that the interconnection proposals from
5 both the City and the County are expected to be received
6 by March 1, 2018? Were proposals received?

7 **A** [GILROY] Yes. One proposal was received. We did not
8 receive a proposal from Richland County, for whatever
9 reason –

10 **Q** Okay.

11 **A** [GILROY] – that may be. And we did receive a wholesale
12 proposal from the City of Columbia.

13 **Q** And can – you’re just – the status now is that you’re
14 reviewing that proposal, or what?

15 **A** [GILROY] We’ll move forward with it. It was ratified or
16 approved by the City. The City Council had to look at
17 it. I can let Michael Cartin speak further to that.

18 **A** [CARTIN] Yeah, I worked closely with the City of
19 Columbia, negotiating a wholesale rate, and we now have
20 a letter of intent and we’re expecting a formal
21 wholesale agreement within the next week or two. So
22 we’re moving along aggressively. It’s one of our goals
23 to get this interconnection done as quickly as possible.

24 **Q** Can you give me an indication what kind of costs you’ll
25 be looking at from that?

1 **A** [CARTIN] So we've negotiated a rate that we would pay
2 for the purchased sewer that would go through the City
3 of Columbia's master meter. I don't have that with me
4 here. We'll be bringing it in total detail to the
5 Commission. We'll be seeking Commission approval of
6 this interconnection. And so I don't have the full
7 business case here with me today, not prepared to talk
8 about it. So I can tell you what I think the number is,
9 close, but it's not going to be right to the penny,
10 but —

11 **Q** Okay. Okay.

12 **A** [CARTIN] It's \$3.64 per hundred cubic feet, is what I'm
13 going off of, of memory, but I can't —

14 **Q** Okay.

15 **A** [CARTIN] That's the in-city rate plus 5 percent that we
16 negotiated.

17 **Q** Okay. Mr. Gilroy, you talked some in your testimony
18 about tank replacements. Can you tell me how many tanks
19 have been replaced?

20 **A** [GILROY] I can't remember the number for this case. I
21 do know that, in its entirety, we've replaced 50
22 hydrotanks.

23 **Q** And —

24 **A** [GILROY] A little less than half were in this case.

25 **Q** Okay. Describe a hydrotank.

1 **A** [GILROY] Oh, I'm sorry. A hydropneumatic tank. In a
2 well system, a limited well system – and I'll just say
3 Washington Heights, where you have 125 customers in
4 there and they're on those three wells in the system.
5 The wells don't give it pressure; it's the
6 hydropneumatic tank, which basically is – it looks –

7 **Q** These are not large aboveground tanks?

8 **A** [GILROY] No, they're 5000-10,000 gallon tanks and
9 they're pressure tanks. So they're half full of water
10 and then they have a blanket of air on it. So if it has
11 a blanket of air at 70 psi, that's what you're going to
12 get in the system, is 70 psi. So there's automated
13 mechanical setups in there that, you know, the well cuts
14 on when it drops a little or an air compressor comes on
15 and keeps everything the same. They're – largely,
16 they're steel and should be coded, or built to code, by
17 ASME code, and registered with the national board.

18 **Q** Okay. There was testimony this morning about the
19 Shandon Subdivision and that you tried drilling new
20 wells there, and you hit a dry well. How deep was that
21 well drill?

22 **A** [GILROY] Well, we drilled a few wells. One was 750
23 feet. Others were 400 feet deep.

24 **Q** Through rock?

25 **A** [GILROY] Yeah, mostly rock. You get down about 50-60

1 feet to get to rock.

2 **Q** And you said the alternative was an interconnection with
3 Rock Hill, was it?

4 **A** [GILROY] Yeah, an interconnection with Rock Hill. In a
5 lot of instances like this, well systems, where you have
6 a problem with the water capacity or supply, a lot of
7 times you have to turn to an interconnection with the
8 nearest municipality. In this case, we looked around
9 and we actually went to Rock Hill to find out where
10 their lines were, and it was a little over three and a
11 half miles away.

12 **Q** Okay. How many customers are we talking about?

13 **A** [GILROY] A little over 60.

14 **Q** Sixty?

15 **A** [GILROY] A little over 60, yeah. Sixty-four.

16 **Q** Mr. Cartin, on page one of your rebuttal testimony, you
17 state that the ORS late-fee adjustment is not known and
18 measurable; is that correct?

19 **A** [CARTIN] I did state that. And after having meetings
20 with ORS, we do not oppose their adjustment now. I
21 believe it's reasonable.

22 **Q** All right. Maybe tangentially related to – if I can say
23 that word – late fees, the company has the ability –
24 well, first of all, do you have local payment offices in
25 the areas, where people can pay their bill in person on

1 the day it's due?

2 **A** [CARTIN] We do not. There has been a time or two where
3 they've shown up at our office and we try to work with
4 them there and help them out. But we do not. We use
5 shared services.

6 **Q** Okay. You have online payments, correct?

7 **A** [CARTIN] Yes.

8 **Q** What are the charges for customers to make online
9 payments?

10 **A** [CARTIN] I don't have that information in front of me.
11 I can get it to you. I know there is a credit card fee,
12 I believe, and we've been looking into spreading those
13 costs over everyone.

14 **Q** And is it fair to say that you have a one-time fee and a
15 fee if – even a monthly fee, if somebody signs up for
16 automatic withdrawal?

17 **A** [CARTIN] I'm not sure I understand the question.

18 **Q** If a customer signs up for letting you automatically
19 draft their bank account –

20 **A** [CARTIN] Okay.

21 **Q** – whether you charge them \$2.25 every month to do that?

22 **A** [CARTIN] My understanding is, yes, but I would need to
23 verify –

24 **Q** Okay.

25 **A** [CARTIN] – and get back to the Commission on that. But

1 I believe that we charge the use of a card fee.

2 **Q** Okay. How is that money accounted for? People paying
3 the fees to pay online, where is it?

4 **A** [CARTIN] We don't mark it up. It's just the cost of
5 processing it, and so it's paid under – if you want me
6 to elaborate. But we don't mark it up. It's not –

7 **Q** You don't mark it up, how? You perform the service?

8 **A** [CARTIN] We have a vendor who performs it, and we pay
9 them the cost.

10 **Q** Okay.

11 **A** We bill our customers for it and then pay them what
12 they've charged us.

13 **COMMISSIONER ELAM:** And as Mr. Butler has
14 reminded me, yes, I'd like to reserve, Mr.
15 Chairman, a late-filed exhibit for that
16 information.

17 **CHAIRMAN WHITFIELD:** Okay, Commissioner Elam.
18 That'll be Hearing Exhibit No. 10.

19 **BY COMMISSIONER ELAM:**

20 **Q** Mr. Hunter, on page two of your rebuttal testimony, you
21 state that, of the \$2.2 million decrease from the
22 company's requested amount, that \$876,640 is related to
23 the change in the corporate income tax rate from 35 to
24 21 percent, correct?

25 **A** [HUNTER] Correct.

1 **Q** Okay. Does that amount include the effect of the tax
2 rate change on accumulated deferred income taxes that
3 you mention on page four?

4 **A** [HUNTER] That impact does not.

5 **COMMISSIONER ELAM:** That's all I have, Mr.
6 Chairman. Thank you.

7 **CHAIRMAN WHITFIELD:** All right. Thank you,
8 Commissioner Elam.

9 Commissioner Randall, I believe you had a
10 little follow-up you wanted?

11 **VICE CHAIRMAN RANDALL:** Yes, thank you. I
12 just wanted to make sure, when we talked about the
13 cost of that liner, if we can get a late-filed
14 exhibit on that, as well.

15 **CHAIRMAN WHITFIELD:** Okay. Commissioner
16 Randall, that'll be Hearing Exhibit No. 11.

17 **VICE CHAIRMAN RANDALL:** Thank you.

18 **CHAIRMAN WHITFIELD:** Commissioner Howard.

19 **EXAMINATION**

20 **BY COMMISSIONER HOWARD:**

21 **Q** Mr. Gilroy, as you know, we consolidated from, what,
22 four or five of your systems into one?

23 **A** [GILROY] Yes.

24 **Q** And one of the things was a standard pricing structure.
25 And now on this we have two pricing structures:

1 Territory 1 and Territory 2. What percent of your
2 customers are in each of those territories?

3 **A** [GILROY] That's a better question for Mr. Hunter or Mr.
4 Cartin.

5 **A** [HUNTER] I don't have the exact percentages.

6 **Q** Well, just roughly. Like 50-50 or 25-75 or – I don't,
7 you know –

8 **A** [HUNTER] Let's see. So just going off the number of
9 bills, is what I'm considering?

10 **Q** That's fine.

11 **A** [HUNTER] Territory 1 is approximately 112,000 bills and
12 Territory 2 is approximately 78,000 bills.

13 **Q** Okay. Territory 1, I think their charge is like \$56 for
14 6000 gallons, whereas in Territory 2, the charge is \$92
15 for 6000 gallons. Why is there so much difference in
16 the two territories?

17 **A** [HUNTER] So it really comes down to looking at the
18 actual cost of each territory. So when we put together
19 the case, we look at the specific costs that are
20 allocated or billed to those specific business units.
21 And so Territory 2 is made up of some business units and
22 Territory 1 is made up of other business units, so their
23 rates are strictly based on what costs those customers
24 are experiencing and the investments made in those
25 areas.

1 **Q** Okay. I guess I was thinking about how could you
2 consolidate those two with that vast difference?

3 **A** [CARTIN] I think you raise a good point, and it's going
4 to be tough. I mean, that's the goal – we'd love to get
5 to one rate structure, and they're pretty far apart
6 right now. When we looked at the numbers, decided to
7 come in, we decided to keep the water structures the
8 same, but we were able to go from two sewer rates to
9 one. So we went from six rates to five, so we're still
10 moving in that direction, but, you're right, they are
11 far apart and it will be difficult. I'm not sure if I
12 have an answer for you right now how we're going to get
13 there, but we do still believe that one single water
14 rate for everyone is beneficial long-term. It's just
15 how you manage our capital investments with the rate
16 impact to our customers is always challenging.

17 **Q** Mr. Gilroy, this, too, can be an estimate. I wouldn't
18 expect – out of your entire system, what percentage is
19 still clay pipes?

20 **A** [GILROY] So thinking of the sewer side, and this is
21 really a guesstimate, probably 40 to 50 percent.

22 **Q** Still clay pipes?

23 **A** [GILROY] Uh-huh.

24 **Q** Take that 40 to 50 percent. What percentage of those
25 would be candidates for re-lining versus replacement?

1 **A** [GILROY] Well, you'd have to look at age and then
2 condition, as well. So I think on age, I think there
3 would be a good portion of them as a candidate for re-
4 lining. It's a very expensive proposition, so we can't
5 do it all at once, or even in a short period. It's got
6 to be tendered out over the years. We actually perform
7 audits on the internal parts of the pipe and then
8 prioritize.

9 **Q** To me, a re-lining has got to be a straight line, you
10 can't come to a connection or a cross- —

11 **A** [GILROY] You would have to do a point repair first.
12 Before you would do any work like that, you would have
13 to go in, wash the lines or jet them, and then you would
14 go in with cameras and basically look at the actual
15 condition of the pipe, and that's the point where you
16 would find if you have cracks or just root intrusion or
17 if a pipe is separated, that type of thing. And then
18 there are certain conditions — roots can be root-sawed
19 out, whereas if a pipe is separated, you're going to
20 have to go in, dig up, make a point repair there, and
21 then go back in with that liner.

22 **Q** Okay. In both service territories, it seems like you
23 designed the commodity charge that rates per thousand
24 gallons for water distribution customers only are higher
25 than the per thousand gallon rate for full-service

1 customers. It would seem to me to be just the opposite.

2 Why is that the case?

3 A [CARTIN] The O&M associated with purchasing water from
4 bulk suppliers is the main driver. We've seen an
5 increase in commodity costs year-over-year in
6 municipalities where we purchase water.

7 Q That water would be a lot higher than you furnishing
8 your own?

9 A [CARTIN] Yes, sir.

10 Q Mr. Cartin, again, on the Friarsgate litigation, any of
11 those legal prices or litigation costs in this current
12 rate proceedings?

13 A [CARTIN] You're referring to the *River Runner Outdoor*
14 case?

15 Q Yeah, River Runner.

16 A [CARTIN] No, sir, we're not seeking recovery of any of
17 those costs in this case.

18 COMMISSIONER HOWARD: Thank you very much.

19 Thank you.

20 CHAIRMAN WHITFIELD: Thank you, Commissioner

21 Howard.

22 Commissioner Hamilton.

23 COMMISSIONER HAMILTON: Thank you, Mr.

24 Chairman.

25 <

EXAMINATION**BY COMMISSIONER HAMILTON:**

Q Mr. Gilroy, how much has the company paid in fines in this test year to DHEC and other governmental agencies?

A [GILROY] I have to keep deferring to these other guys.

Q Well, I'm glad you've got them with you.

A [GILROY] Yeah.

A [CARTIN] It's always a little easier to find when no one's watching you.

Q I'm sure.

A [HUNTER] Give me one moment [indicating]. So, in total, for non-allowable expenses in the test year, is \$114,000.

Q A hundred and fourteen [\$114,000] is the total amount of fines for the test year?

A [CARTIN] No, looking at this, we – I'm not sure we had any fines. I can look that up for you. I believe the large Friarsgate fine, which is the hot topic, was outside of the test year. Those are the non-allowables from ORS that you're referencing.

Q If you could, I'd like a late-filed exhibit on that, please.

A [CARTIN] I know we're racking up a lot of late-filed exhibits, but we want to get you the information you need.

1 **CHAIRMAN WHITFIELD:** Okay, Commissioner
2 Hamilton. That'll be Hearing Exhibit No. 12.

3 **COMMISSIONER HAMILTON:** Thank you.

4 **BY COMMISSIONER HAMILTON:**

5 **Q** And I'm sure the number you send us, none of these fines
6 were passed on to the ratepayer.

7 **A** [CARTIN] That is correct.

8 **Q** Let's talk about the Dancing Dolphin and the –

9 **MR. NELSON:** Mr. Commissioner, I hate to
10 interject, but we actually – we have filed in part
11 of our testimony the exact fine amount, which may
12 make it unnecessary to have a late-filed exhibit.
13 Mr. Schellinger's direct testimony on page six,
14 line six, provides that number for the Commission.

15 **COMMISSIONER HAMILTON:** Do you mind telling us
16 what it was, since you've got it before you? If
17 you did have it before you.

18 **MR. NELSON:** This is the number of – this is
19 the amount of fines that CWS has paid in DHEC fines
20 since the last rate case in 2015, and that amount
21 is \$103,340.

22 **COMMISSIONER HAMILTON:** Thank you. Thank you
23 very much. Appreciate that.

24 **BY COMMISSIONER HAMILTON:**

25 **Q** Mr. Gilroy, you discussed with Commissioner Howard the

1 amount of clay pipe that still exists in your territory.

2 Do you have an ongoing replacement policy or plan?

3 **A** [GILROY] Yes. An asset management program, yes.

4 **Q** What percentage are you trying to change per year?

5 **A** [GILROY] That sounds like a late-filed.

6 **Q** Well, we won't ask that. I just want to make sure that
7 we aren't just managing on things that we've seen in
8 past years –

9 **A** [GILROY] Right.

10 **Q** – on the emergency of the day.

11 **A** [GILROY] No, there's an amount that we recognize as aged
12 pipe, and money that has to go into the audits and
13 corrections being made.

14 **A** [CARTIN] Commissioner, to add on that, we're proactively
15 replacing pipe based on a bunch of different factors,
16 such as consequence of failure. So maybe something
17 closer to a body of water would be a higher priority
18 than something in the middle of a forest. So we're
19 looking at a bunch of different factors. We don't have
20 a set amount of feet. I mean, we understand there is a
21 certain amount to keep up with the aging infrastructure,
22 but we don't look at it exactly how you asked.

23 **Q** I know an active program will help the ratepayer on a –

24 **A** [CARTIN] Yes, sir. To repair it before it breaks is
25 much cheaper than after it breaks, you're correct.

1 Q Could you tell me a little bit about the Dancing Dolphin
2 complaint with the 13 bills in 12 months?

3 A [CARTIN] So we received the complaint and they asked us
4 to address it here. Dancing Dolphin is a property
5 management company – sounds like it might be something
6 else, but it's believed they're a property management
7 company. They used to pay a sewer rate based on
8 consumption. When we changed our rates in the last rate
9 case, they were now receiving a flat rate for sewer
10 every month. So it was \$52.93 every month, as of the
11 last order, which came out December 22, 2015.

12 So when we got to the new rates, we wanted to
13 lessen the gap between the service end date – like my
14 last day of service is January 31st – to the actual bill
15 issue date. And with the old structure, if you remember
16 the fun days of the pass-through mechanism where we
17 would look at our bill, we used 100,000 gallons or we
18 pushed through 100,000 gallons of sewer to Beaufort-
19 Jasper – for Dancing Dolphin – and then we would spread
20 that pass-through bill evenly amongst the tenants, that
21 created a lag in our billing, right, because we would
22 have to wait to receive our bill from Beaufort-Jasper,
23 then we would calculate what our bill to pass through is
24 to each individual customer. So if I was a Dancing
25 Dolphin property manager, I was receiving my bill in

1 March for January service, so it was two months behind.

2 So what we did is we worked with our Billing
3 Department, let ORS know what we were doing. We tried
4 to move up those bill dates one or two days each month,
5 to catch it up to where we could, in a very timely
6 manner, issue a bill right after your service period end
7 date. And we've done that now. So we're done with the
8 acceleration of bills by one or two days each month, but
9 we did inadvertently issue the Dancing Dolphin, in
10 particular, 13 bills, and we've issued them a credit for
11 that, to settle their dispute.

12 **Q** Very good. Thank you very much. I appreciate you.

13 **A** [CARTIN] You're welcome. Thank you.

14 **COMMISSIONER HAMILTON:** Thank you, Mr.
15 Chairman.

16 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
17 Hamilton. Do you want to withdraw that request for
18 a late-filed?

19 **COMMISSIONER HAMILTON:** Yes, sir.

20 **CHAIRMAN WHITFIELD:** Okay. Well, we will
21 strike that late-filed exhibit.

22 Commissioner Bockman.

23 **COMMISSIONER BOCKMAN:** Thank you, Mr.
24 Chairman.

25 <

EXAMINATION**BY COMMISSIONER BOCKMAN:**

Q Good afternoon, gentlemen. Mr. Elliott confessed that it's a little awkward to have a panel of witnesses testifying at one time, and I don't disagree with that. So if I happen to ask – direct a question to one of you that's better answered by another, please let me know. I'm interested in testimony, not necessarily the witness himself.

Mr. Hunter, I'll ask you this question. I don't think this is something that either of your colleagues could answer. On page five of your rebuttal testimony, and you also mentioned this in your summary, you talk about the tax gross-ups that may not be collected for contributions in aid of construction, contributed early in this calendar year?

A [HUNTER] Yes.

Q You say it may not be collected. Does that mean a possibility that it might be collected, under some circumstances?

A [HUNTER] Any of the agreements that we've already been entered into with developers that do not have any language about collecting taxes, we are not able to gross those up since we've already entered into those agreements.

1 Q How many of those agreements do you have?

2 A [HUNTER] I'm not sure.

3 Q Do you know what plant items – oh, I'm sorry.

4 A [CARTIN] It's approximately six or eight. It's not a
5 large number of developer agreements, but there are a
6 few that we've entered into before we knew about the tax
7 reform that's happening, and we've yet to have the
8 property donated to us. So when they do donate the
9 property, we'll be on the hook for those taxes.

10 Q And so the answer to that – that was my next question –
11 there is no property that has been donated that would
12 be, during this period of time.

13 A [CARTIN] Correct.

14 Q Mr. Gilroy, you've been with this company 28 years, is
15 that –

16 A [GILROY] Twenty-eight, in August.

17 Q Twenty-eight, in August. How long have you had your
18 present responsibilities?

19 A [GILROY] Since spring of 2014.

20 Q What were your responsibilities before your present
21 position?

22 A [GILROY] Prior to that was regional manager, and prior
23 to that was corporate safety director.

24 Q In your capacity or during your 28 years, have you been
25 involved in rate-case proceedings, testimony, or either

1 observations of the hearings themselves, present at the
2 hearings but not necessarily as a witness?

3 A [GILROY] Yes, I have, and was involved in the last two,
4 I believe.

5 Q Would it be fair for me to say or ask, have you heard
6 similar testimony from customers in those past cases
7 that you may have observed or in which you have been a
8 witness, as you heard in this case?

9 A [GILROY] Similar? Yes.

10 Q Service complaints, opposition to rate increases,
11 customer relations perhaps that were problematical?

12 A [GILROY] Uh-huh.

13 Q Has the company had a consistent practice of filing
14 responsive testimony, as you have in this case?

15 A [GILROY] I believe so, yeah, from the ones that I was
16 actually part of.

17 Q I'm not going to testify, Mr. Gilroy, but I'm familiar
18 with this company's operations since 1975, and many of
19 the things that I have heard in this case, I heard then,
20 and since then. And Mr. Cartin, you have described the
21 company's intent to be proactive in dealing with
22 customer complaints and observations of your company's
23 operations from your customers.

24 A [CARTIN] Yes, sir.

25 Q And I appreciate that, that the company is proposing to

1 address these things, not necessarily in a rate-case
2 context. I will say this, it's not the first time I've
3 heard the company make that assertion. What assurances
4 can you give us that you will address the kinds of
5 things that we have heard here in that proactive fashion
6 in the future so that, perhaps, we won't necessarily
7 have to have responsive testimony in cases looking
8 forward? Can you give us some assurance?

9 A [CARTIN] Sure, I can assure you that we're under new
10 leadership here, and our new leader's made it very
11 apparent that that is extremely important and vital to
12 her – our strategy, moving forward. I think hiring a
13 communications coordinator is a sign of assurance that
14 we are investing in communications. And I know you said
15 you've heard that before, but you haven't heard that
16 from me, and I'm telling you that I agree with the new
17 leadership and I'm part of the plan that we need to
18 proactively communicate better and educate our customers
19 better. We've shown that over the past six months. I
20 mean, we held six town hall meetings, different formats.
21 We're still learning, getting better. My personal
22 experience is the open-house format was more proactive
23 with me getting to talk one-on-one with lots of
24 different customers, rather than a formal presentation.
25 So we're learning, we're getting better.

1 The assurances I can give you is, we're under new
2 leadership, we're investing in it, and it's my – all my
3 intention is to continue.

4 **Q** That's a responsibility that you feel and the company
5 feels toward its customers?

6 **A** [CARTIN] Yes, of course.

7 **Q** Well, thank you for that, Mr. Cartin, and we will, I'm
8 sure, take your assurances as you intend them, and,
9 hopefully, on a day-to-day basis, as well as in
10 connection with rate cases, that you will make the kind
11 of effort that you have described to deal with your
12 customers' observations and their complaints about the
13 quality of the service and the responsiveness that we've
14 heard here.

15 **A** [CARTIN] Yes, sir.

16 **Q** Mr. Cartin, let me ask you, at the risk of suggesting
17 that you may – well, no. It's been established that
18 you're not a lawyer, and I won't ask you for a legal
19 opinion, but let me ask you just a couple of follow-up
20 questions related to what Mr. Nelson asked you with
21 respect to the litigation and the cost of litigation
22 that you've described. As I understand the description,
23 for all of these various cases – the federal lawsuit,
24 the cases pending in Richland County Circuit Court,
25 Court of Common Pleas, the enforcement actions at DHEC –

1 the company's been a defendant in all those cases; is
2 that right?

3 **A** [CARTIN] That's not my understanding, no. There's one
4 case, CWS brought action against the EPA and the Town of
5 Lexington, requesting an injunction to compel the Town
6 to connect the I-20 to the system or declare the Town's
7 contract with Cayce invalid for its interference with
8 the Town's obligations as a designated provider in the
9 208 plan.

10 **Q** Thank you for that clarification. And you have
11 testified, with respect to the way the company would
12 treat any liability, that it's – I'm sorry – the legal
13 fees that the company has and would incur with respect
14 to defending in these cases. There are certain
15 circumstances in commercial litigation in which a
16 company would not necessarily seek to – well, a company
17 would have its shareholders bear some of the costs of
18 litigation. Are you familiar with that, in terms of
19 just general commercial litigation and perhaps in a non-
20 regulated context?

21 **A** [CARTIN] It makes sense in a non-regulated – I mean, I
22 guess the answer is, no, I'm not familiar.

23 **Q** Well, does it – would it make more sense in a non- – why
24 would it make more sense in a non-regulated
25 circumstance?

1 **A** [CARTIN] There are circumstances over the years where
2 I've seen where customers haven't paid for our legal
3 fees; our shareholders have.

4 **Q** And what circumstances were those?

5 **A** [CARTIN] For instance, in this case, we had legal fees
6 thrown out that we're not opposing, for a lawyer who sat
7 with us during a Notice of Alleged Violation at DHEC.
8 So we had those legal fees, in particular, not being
9 recovered through rates.

10 **Q** And in at least one case – I think the case pending in
11 State court, in Richland County – you said your
12 insurance carrier will be absorbing the cost of
13 litigation, including legal fees?

14 **A** [CARTIN] Yes, sir, that's my understanding.

15 **Q** And I think Mr. Nelson asked you why would your
16 insurance carrier cover that case and perhaps not
17 others. Do you know?

18 **A** [CARTIN] My high level from not being a part of our
19 legal counsel is that it's not as big of a case. We
20 don't think the damages they're seeking are as large.
21 But I probably shouldn't even speak to it. I mean, it
22 was a legal decision to go that route and I was not part
23 of that decision.

24 **Q** And I'm trying to avoid asking you any questions that –

25 **A** [CARTIN] I understand.

1 Q But I will tell you that there is a very fine law school
2 on campus at the University –

3 [Laughter]

4 – to which you profess loyalty, and, you know, at
5 some point in the future, you might want to look into
6 that.

7 A [CARTIN] I think I've made it very clear here today that
8 I would not do well in law school, so –

9 Q Well, I'm not so sure about that.

10 A [CARTIN] Oh, I can –

11 Q There might be some people here that might have
12 something to do with that.

13 [Laughter]

14 Anyway, let me ask you, you had some testimony
15 about your contractor's meter reader who ghost reads, I
16 guess. Was that your term that you used?

17 A [CARTIN] Yes, sir. It's commonly referred to in the
18 industry as ghost reads.

19 Q And you talked about the response that you reread the
20 affected meters, sent out new bills, letters to
21 customers, and so on. Did the company incur some
22 additional cost or expense for the remedial actions that
23 you took?

24 A [CARTIN] No, not to my knowledge. I mean, I used my – I
25 collected my field guys, whatever guys had some free

1 time, and had them all go out there and do the rereads.
2 I did a lot of the follow-up corrective action type
3 work, myself, so I wouldn't say it's any incremental O&M
4 expense from that, at all.

5 **Q** I was just wondering, if there had been, would you have
6 sought to recover that from the contractor?

7 **A** [CARTIN] Sure. I mean, we didn't pay him for the reads,
8 of course, once we found out they were estimated, so we
9 got refunds to that, which is built into our O&M.
10 Customers are not paying for reads that weren't taking
11 place.

12 **Q** Was this an isolated incident?

13 **A** [CARTIN] Since I've been working here, it's the only one
14 I've heard of. I've heard of it happening in other
15 water companies in different parts of the country. I'm
16 not sure — since I've worked here, it's the biggest
17 meter reading — I mean, it's happened to me with
18 municipalities not reading our meters where we purchase
19 water, so, but as far as our company experiencing a
20 ghost read from a meter reader, it's the first time
21 since I've been working here that I ran into an issue
22 like this.

23 **Q** All right. How would you know? How would you know that
24 it's an isolated incident, or how would you know it's
25 not occurring more frequently?

1 **A** [CARTIN] Right, so I guess it's hard – I mean, our
2 Customer Care & Billing does have certain checks that
3 will help. But really, it's difficult. We would know
4 by going out and doing random verification or reads when
5 we're sent out – a customer calls in and complains about
6 their bill, we go out and look, so we try to use, you
7 know, deductive reasoning, I guess, when we see things
8 in the field. You know, our field activities are
9 created. Our billing system does have a lot of checks
10 that can help prevent this sort of thing, and it
11 would've caught it eventually, but it's just difficult.

12 **Q** Okay. Would that uncertainty cause us to have some lack
13 of reliability in the consumption figures that you would
14 use in this rate case or any other?

15 **A** [CARTIN] The true-up reads, no. And then ORS actually,
16 I think, did a great job of investigating it thoroughly.
17 They actually went out and looked at our master meters
18 that was serving all the customers affected, and got to
19 see how much water we actually purchased and passed
20 along, and they actually lowered our revenue requirement
21 based on consumption after their detailed research on
22 the incident. And we're not opposing their adjustment.

23 **Q** You feel confident in the reliability of the consumption
24 figures you submitted here?

25 **A** [CARTIN] Yes, sir.

1 Q Mr. Gilroy, let me ask you, are you familiar with Mr.
2 Schellinger's testimony, the ORS witness?

3 A [GILROY] I've read it. I don't remember.

4 Q Specifically, he described a situation in which there
5 were some active customers who were not being billed for
6 service, that the company was unaware of, at least for a
7 period of time, that –

8 A [GILROY] Yes.

9 Q – ORS discovered? You're familiar with that testimony?

10 A [GILROY] Yes.

11 Q Okay. Do you have any plans to adopt a policy or
12 procedures to address a situation like that?

13 A [GILROY] Yeah, it's called vacancy occupancy reports –

14 Q Yes.

15 A [GILROY] – so that when people, especially in the
16 Friarsgate Subdivision where we have sewer but we don't
17 have the water – that's the City of Columbia – so
18 sometimes when someone moves out of a house and the
19 house sits empty for a while and then someone moves in,
20 they start paying a bill to the City of Columbia. They
21 think they're covered or whatever, and then we may find
22 them a short while later or sometime later. What we do
23 right now, what we're doing is sending our operators
24 out, our field techs, our personnel, and giving them a
25 list of inactive accounts, and they're having to go by

1 each house that has not set up an account and physically
2 check it to see if anyone's moved in, and if they notice
3 that it's occupied, leave them with information to call
4 the office.

5 **Q** Are you familiar with the fact that this Commission has
6 directed at least one other utility company to adopt a
7 vacancy survey process – maybe similar to the one you
8 described – that we've required a company to do that?

9 **A** [GILROY] Yeah, I do.

10 **Q** That's United Utility?

11 **A** [GILROY] United Utility, yeah, I was us.

12 **Q** Oh, that's you?

13 **A** [GILROY] Yes.

14 **Q** All right. I'm sorry. I should know better.

15 **A** [GILROY] Yes.

16 **Q** I'm glad you agree with me.

17 [Laughter]

18 And I should. I absolutely should. In this
19 circumstance, Mr. Gilroy, did you back-bill the
20 customers for that service that they received without
21 payment?

22 **A** [GILROY] I didn't get into the billing. Maybe Mr.
23 Cartin or Mr. Hunter could answer that.

24 **A** [CARTIN] When the ORS brought this to our attention,
25 that they had went and done some site visits and saw

1 some homes that were listed inactive but there was
2 actually someone living there, I directed my billing
3 group to not back-bill, because that's our fault and
4 it's our responsibility. And we have agreed with ORS's
5 request that we can file our vacancy reports with the
6 Commission, as we did in the past. I think there's some
7 benefits to us. And it's difficult in an area like
8 Friarsgate where there's a lot of people moving in,
9 moving out, constantly, and a lot of work going on
10 there, but it's something that we're committed to
11 working to fix it, and we're open to filing those with
12 the Commission if it would give you guys a level of
13 comfort.

14 **Q** Always looking for a level of comfort.

15 **A** [CARTIN] Sure.

16 **COMMISSIONER BOCKMAN:** Maybe you would do that
17 for us. Thank you very much, gentlemen.

18 Mr. Chairman, that's all I have.

19 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
20 Bockman.

21 Commissioner Fleming.

22 **COMMISSIONER FLEMING:** Yes.

23 **EXAMINATION**

24 **BY COMMISSIONER FLEMING:**

25 **Q** Good afternoon – almost evening, isn't it? You've been

1 in that hot seat a long time, today, all day. I wanted
2 to hear a little bit more detail about the
3 infrastructure modernization program that I believe you
4 talked about, Mr. Gilroy. I know that this is something
5 I, too, as well as many of the people on the panel have
6 heard through the years about the needs of the company,
7 and it certainly is obvious that the infrastructure
8 needs to be upgraded, which is probably at the root of a
9 lot of the problems that we're hearing about. And I
10 know, through the years, we've asked for a business plan
11 to address some of these issues. So could you go into a
12 little bit more detail about what the plan is, how much
13 it's going to cost, and how you plan to pay for that?

14 **A** [GILROY] The plan right now, so, basically, we have a
15 five-year capital plan, and that has been, in the past,
16 just going by audits of our systems and looking at our
17 assets and physically, on a spreadsheet, saying this is
18 how old they are, or this is the number of problems.
19 What we're going to and what we're in the process of
20 going to right now is an OMS system, and it will be
21 hooked up with a GIS system, so that way, and we'll –
22 that way, we'll be able to have everything in electronic
23 fashion, with all our assets and all the information
24 that we need there, as far as operation and maintenance,
25 length of life, end of service, those type of things.

1 So it will all be done through an office, in our office
2 we'll actually be hiring someone to be over that
3 program, once that electronic equipment comes in. Right
4 now, it's going through our Shared Services Department.
5 They've gone through and they've done – met with other
6 people that that's what they do for business, with their
7 software or whatever, and they have selected a system
8 called Lucidity where they actually come in and set that
9 all up, and we'll go out and GIS everything and get it
10 into the system, so it will all be automated.

11 **Q** That sounds more like it's specific to the operations
12 and maintenance, but –

13 **A** [GILROY] Yeah.

14 **Q** – I'm looking in terms of a plan to either put the
15 liners in the pipes in certain areas where your
16 priorities are, through the system –

17 **A** [GILROY] Oh, that would be an asset management plan.
18 We'd actually document when everything was installed, go
19 back in time and – to the best of our knowledge. A lot
20 of them, we acquired, so we would have to go back and
21 see when they were originally permitted through DHEC,
22 when they were set up and we didn't own it. But we
23 would actually go back and find out what the start dates
24 were on those assets, and then through industrywide
25 surveys see what the length of service is, or the end-

1 of-life would come up. All that information would be
2 entered into there, including all the maintenance that's
3 been done on the asset and if it's becoming problematic;
4 it would automatically be flagged for us, rather than
5 something breaking and addressing it.

6 **Q** So are you going to do that –

7 **A** [GILROY] Yes.

8 **Q** – asset management?

9 **A** We're in the middle of it – we're in the middle of a
10 conversion right now.

11 **Q** Okay. And is that going to be something that will be
12 available to the customer, so that they will know when
13 to look for improvements to be made in their particular
14 area or be able to –

15 **A** [GILROY] Well, that wouldn't be my say-so. I know it
16 would be available to everyone in the company that has
17 the responsibility of maintaining all of our assets.
18 I'm not sure – we would be able to provide that through
19 the town halls and meetings that we would have, and have
20 a more accurate sense of what's coming.

21 **A** [CARTIN] And, again, our communications coordinator, one
22 of the things we talk about is, for instance, Friarsgate
23 collection system, we're doing a lot of work there, and
24 we're going to – when it comes time to start people
25 being in backyards and going to the tough places to get,

1 we're going to – he's going to proactively educate our
2 customers. When you said something about work being
3 done in their area, that's something we want to do, but
4 that's just their communication.

5 But we have created a complete asset registry.
6 It's close to complete. I mean, we're going through and
7 touching every manhole, every length of pipe, how much
8 is clay main, how old electric panels are, how many lift
9 stations we have. We're already well deep into that
10 asset management program. But as far as what the
11 customers can see, that needs to be us and our
12 commitment to proactively let our customers know what
13 we're doing in their area, because sometimes they're at
14 work, they don't see it, it's underground. They think
15 we've never been there and done anything. So it's our
16 responsibility to put the effort in to try to let them
17 know what we're doing in their area and when.

18 **Q** Do you have an estimate of what it would take to bring
19 the systems up to where they need to be?

20 **A** [CARTIN] I do not.

21 **Q** Are you going to –

22 **A** [CARTIN] I mean, I've read –

23 **Q** – working on that?

24 **A** [CARTIN] – EPA estimates and stuff about what's needed
25 in the State of South Carolina, for the aging

1 infrastructure, and across the entire country. I look
2 at it, and it's like our bridges and roads. I think
3 we're kind of at that bottleneck now where the
4 requirement's heavy. But I don't have an exact dollar
5 figure for you.

6 **Q** It just seems like you need to know what you – what it's
7 going to cost you, to get –

8 **A** [CARTIN] Sure.

9 **Q** – to where you're going, and I guess that's what I was
10 thinking, in terms of the modernization plan.

11 **A** [CARTIN] I would love to spend \$20 million next year,
12 but I have to balance the –

13 **Q** No –

14 **A** [CARTIN] – rate impact to our customers. I mean, we
15 have aging infrastructure. Did I get the time bell on
16 me? Was I talking too much?

17 **Q** You hope, huh?

18 [Laughter]

19 **A** [CARTIN] Yeah. I have to be quiet now.

20 **CHAIRMAN WHITFIELD:** I think that was ORS.

21 **WITNESS CARTIN:** Okay.

22 **BY COMMISSIONER FLEMING:**

23 **Q** They dinged you out. They're disowning you, that you
24 ever worked there.

25 **A** [CARTIN] So, that's one of our challenges. We have to

1 modernize our system. We have aging infrastructure, but
2 we have to balance that –

3 Q Well, I understand the balance. I do know that. I'm
4 not saying that you're going to go out and spend that
5 money, but you do need to know what it's going to take
6 and where you need to go to bring the system –

7 A [CARTIN] We have high-level estimates in our asset
8 management plan. I don't have that number for you here
9 today.

10 Q But you working on getting to that?

11 A [CARTIN] Yes, ma'am.

12 Q And you are taking – sounds like you're trying to be
13 very proactive, as you move forward on these things?

14 A [CARTIN] Yes, ma'am, I think that's the right thing to
15 do.

16 Q We've had a couple of questions about the consolidation
17 of the four companies in the State. I know that's
18 something that, as a Commission, we had encouraged for
19 several years. And you've talked about some of the
20 advantages that have occurred during that. Just other
21 than those things, could you talk about some of the
22 challenges that have come about as a result of the
23 merger, that you're dealing with, as well as some of the
24 advantages, that you haven't already mentioned?

25 A [CARTIN] Sure. One of the challenges, again, goes back

1 to why we hired a communications coordinator, educating
2 our customers on who their service provider is. Also,
3 our contractors and vendors, as you know, ORS does a
4 very thorough, detailed job and they audit all of our
5 expenses, and they want to see consistent, detailed
6 invoices. And so that was – the trouble upfront was
7 trying to tell my vendor, “We’re not United Utilities
8 anymore. This needs to say ‘Carolina Water Service’ on
9 it.” So the contractors getting invoices correctly, I
10 saw that as a difficulty.

11 I think it caused some confusion to our customers,
12 and maybe we could’ve done a better job of reaching out
13 to them and letting them know exactly what was going on.
14 I mean, we sent letters out, but maybe we could have
15 done more town halls, things like that, that we’re
16 planning on doing in the future.

17 **Q** So, hopefully, that information will be more readily
18 available to the customer. Did I understand you
19 correctly that you were talking about disputes or
20 complaints, you are changing the way that was going to
21 be handled and it would come before the PSC rather
22 than –

23 **A** [CARTIN] Interruptions in service, we believe, should be
24 handled by the Commission, any remedies, things like
25 that. And the Commission has rules and regs in place

1 already. But sometimes – for instance, like if a
2 dentist's office were to not have water, they could try
3 to sue us, and this tariff would allow us to handle it
4 without the legal fees associated with going to the
5 court; we could remedy the situation with the Public
6 Service Commission. It's specific to interruptions in
7 service, the change in our tariff, proposed.

8 **Q** And possibly a faster resolution?

9 **A** [CARTIN] Yes, ma'am.

10 **Q** Well, I did want to ask a couple of more specific
11 questions. Mr. Gilroy, in your prefiled testimony, in
12 June of 2016 the Friarsgate Wastewater Treatment Plant
13 experienced an upset because of turbid effluent that
14 interfered with ultraviolet disinfection?

15 **A** [GILROY] Uh-huh.

16 **Q** Could you talk a little bit about what the turbid
17 effluent is, and how does the company plan to deal with
18 it in the future?

19 **A** [GILROY] Yeah, the turbid effluent. There was a plant
20 upset. So, normally, your effluent is pretty clear.
21 It's clear water. And the way the UV works is its
22 ultraviolet rays go through there and it, basically,
23 inactivates the bacteria, kills it, let's say. If you
24 have turbidity in the water, it cuts down on the
25 strength of those UV. You have – it's distracted by

1 that, so you don't have a complete kill.

2 So we took care of it at that point; that was taken
3 care of pretty rapidly, within – I remember back then,
4 because I lived down there till midnight every night for
5 a few weeks. That was taken care of in the first couple
6 of days, the first day and a half, with new aeration.
7 Because what happens is that the oxygen level got so low
8 in the plant that basically you had carryover and the
9 solids in the plant no longer settled; they actually
10 became – came to the surface. So, once we got the
11 aeration in there within a day and a half, or so, that
12 was taken care of and it started settling out. Really
13 haven't had much of a problem since then. The plant's
14 been operating okay. And what we're going to do in the
15 future is basically the plant is going away, through
16 interconnection.

17 **Q** Oh, okay. So, well, could you talk about what is the
18 total amount spent on improvements in the Friarsgate
19 system, since the company's last case?

20 **A** [GILROY] Since the last case? Mr. Hunter, would you
21 have that?

22 **A** [HUNTER] I don't have that on hand.

23 **A** [GILROY] We can get that for you. I'd hate to guess.

24 **Q** Okay.

25 **A** [GILROY] It's a large amount.

1 **COMMISSIONER FLEMING:** If we could have a
2 late-file exhibit for that?

3 **CHAIRMAN WHITFIELD:** Okay, Commissioner
4 Fleming. We are going to make that Hearing Exhibit
5 No. 12.

6 **COMMISSIONER FLEMING:** Okay.

7 **BY COMMISSIONER FLEMING:**

8 **Q** And, also, how do you balance the need to make capital
9 improvements to a system like Friarsgate, in light of
10 its possible transfer to a regional system?

11 **A** [GILROY] We're going to do everything we can to make –
12 if there's any expenditures, to keep the plant
13 compliant. Obviously, there's not going to be any major
14 upgrades, so it's basically operate the plant in a
15 compliant fashion, and there'll be the necessary
16 associated costs with the operation and maintenance of
17 that plant.

18 **A** [CARTIN] I would like to add that the EQ liner will stay
19 in service, in place, when it is complete, as part of
20 the interconnection with the City of Columbia for peak
21 shaving.

22 **Q** Okay.

23 **A** [CARTIN] So that investment will still be used and
24 useful when we're an interconnected facility.

25 **Q** And it's the remediation that you're asking for –

1 A [CARTIN] Correct.

2 Q – in this particular case? Was that required by DHEC –

3 A [CARTIN] Yes.

4 Q – to do the remediation?

5 A [CARTIN] It was.

6 Q But that's not like a fine or a penalty; it's –

7 A [CARTIN] No, ma'am. The EQ liner was at its end-of-
8 life. It needed to be teared up and needed to be
9 replaced, so we took it out. And when we took it out,
10 we had to remediate the site before we could put a new
11 EQ liner in service.

12 Q So you feel like that part is justified to be – the
13 remediation –

14 A [CARTIN] I do, for the environmental impact it has on
15 the surrounding area, how we've been able to remediate
16 the site and get it back to a compliant, acceptable form
17 for DHEC. I think that's used and useful, but I
18 understand ORS's position.

19 Q Okay. Does this case include any of the costs
20 associated with the extension of the franchise agreement
21 with York County?

22 A [CARTIN] No, it does not. There may be some minor
23 costs. Nothing substantial. We would not begin the
24 additional capital and these payments and things
25 detailed in the actual agreement until this Commission

1 were to approve it. So it would be – any cost increases
2 associated with the renewal of the franchise agreement –
3 sought to be recovered in a later rate case.

4 **Q** Okay. Not – so you will be coming forth with that, just
5 not this time?

6 **A** [CARTIN] Yes, ma'am.

7 **COMMISSIONER FLEMING:** Thank you. Okay, thank
8 you.

9 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
10 Fleming.

11 Hold on one second. I've got a few questions
12 for you.

13 **EXAMINATION**

14 **BY CHAIRMAN WHITFIELD:**

15 **Q** I have a few questions for you. Fortunately for you
16 all, most of my questions have been asked and a lot of
17 them answered. I do want to follow up with you just a
18 minute, Mr. Cartin, where Commissioner Fleming was
19 going, talking about the – what we just brought up –
20 well, anyway, I'll move on to my next question and maybe
21 it'll come back to me. Mr. Cartin, most of my questions
22 are going to center around you.

23 On page three of your prefiled testimony, of
24 course, you talk about the City of West Columbia – and
25 that's been discussed a lot today – the City of West

1 Columbia raising the price of bulk water by 66-67
2 percent, and that's been kicked around a lot today, and
3 you talk about that resulting in nearly \$½ million of
4 purchased-water expense. My question, the one thing
5 that I haven't heard today, has that been – did the
6 company try to negotiate a lower rate with the City?

7 **A** [CARTIN] Yes, we did.

8 **Q** Okay. And what was the result, or what did you – what
9 came of that, or what –

10 **A** [CARTIN] We were unsuccessful.

11 **Q** That was it. No indication that you might get some
12 concessions, or anything? There was no –

13 **A** [CARTIN] No, we haven't – we were unsuccessful. It's
14 something that we still may pursue again in the future,
15 but as of right – and if we were, we'd come back in
16 front of you for any savings. But basically we didn't
17 have any other option at the time. Our bulk water
18 contract expired, we didn't have another choice unless
19 we wanted to maybe try to drill 50 wells in the area, or
20 something like that. But – we had not much choice.

21 **Q** Next, again, Mr. Cartin – I'm still kind of focusing on
22 your testimony, but, Mr. Gilroy, hang with me because
23 there's going to be a question for you, as I go down
24 this line. Mr. Cartin, on page four of your rebuttal
25 testimony, you discuss the engineering costs to the

1 design of the O&M manual and other remediation measures
2 to be in compliance with the DHEC consent order. And,
3 again, we've heard a lot about that today. One of the –
4 actually, two of these, and Mr. Gilroy, you may have to
5 jump in on either one, or certainly one of these, maybe
6 both of them. Number one, I think you responded, Mr.
7 Cartin, by saying, in addition to the development of the
8 O&M manual, that – or, it said that you would provide
9 more robust – just made the manual more robust, I think
10 was the only – did you have anything else, any other
11 measures that the engineering firm did, in addition to
12 the development of the O&M manual?

13 A [CARTIN] Yeah, there were a lot of things they did. Bob
14 Gilroy would be better to explain about the day-to-day
15 working with the engineers.

16 A [GILROY] I made some notes for W.K. Dixon, some of the
17 things they did. First of all, they were involved in
18 formulating the corrective action plan that was required
19 by the DHEC consent order. They also submitted, like I
20 talked about earlier, a lot of the engineering plans for
21 every small and large change or upgrade that was
22 required to be made, had to be approved by DHEC and they
23 had to get a quick application for that, and of course
24 that has to come from an engineering firm, engineering
25 plans for submittal. So, yes, seeking those expedited –

1 a lot of temporary permits, if you had anything going
2 on, like if you are re-lining a basin and then you had a
3 pump-around in there, we had to get a temporary permit
4 to do the pump-around, so they would have to submit –
5 not only submit the plans for the lining of the basin,
6 “This is what we’re going to do,” and propose it – and a
7 lot of these, we got back in a day or two – but also the
8 setup of the pump-around and whatever measures we had to
9 take for bypassing certain components while we were
10 upgrading those components.

11 Also, the communication with DHEC in a lot of the
12 engineering matters resulting from those changes, and so
13 they would have a good understanding of what we were
14 doing. There’s a lot of correspondence between the
15 engineers and DHEC, with ourselves included. And then,
16 also, we were required to have a wastewater expert, a
17 Professional Registered Engineer expert and – or
18 licensed as an A Operator/Wastewater that could oversee
19 or overlook operations to make sure all those things
20 that we did were operating functionally well, and have
21 kind of a day-to-day oversight of what was going on
22 there. Also at the end of the month, to take all the
23 paperwork – bench sheets, all the analysis, microscopic
24 exam, those type of things – put them all together and
25 then provide a summary to DHEC at the end of every

1 month, which they require.

2 **Q** Well, I certainly appreciate you getting a little more
3 detailed. In my notes earlier from today, I just had
4 put down "more robust" –

5 **A** [GILROY] More robust.

6 **Q** – is all I've seemed to come away with that, so you've
7 certainly –

8 **A** [GILROY] Yeah.

9 **Q** – provided some more details of what the engineering
10 firm, W.K. Dixon, did, in addition to the development of
11 the O&M manual. One more question related back to Mr.
12 Cartin's testimony, and again you may be the – either
13 one of you can take it. And it's a pretty simple
14 question. How were remediation costs incurred due to
15 consent orders, like the consent orders you had entered
16 into with DHEC, how were they handled in the company's
17 other jurisdictions, in other states that have – where
18 their agency – of course, in other states, I'm sure –
19 I'm well aware it's not called DHEC, but something the
20 equivalent of DHEC in these other states and in your
21 other jurisdictions, how were those costs handled? Are
22 either one of you equipped to answer that question?

23 **A** [GILROY] That's something I'm not aware of.

24 **Q** Well, we're going to go back to Mr. Cartin.

25 **A** [CARTIN] We sought recovery of it the exact same way

1 that we have in the past.

2 **Q** In other jurisdictions of Utilities, Inc. –

3 **A** [CARTIN] Yes, sir.

4 **Q** – companies? Just in this same manner?

5 **A** [CARTIN] To my knowledge, that remediation cost was
6 sought for recovery. I'm not sure on how the commission
7 ruled in that case. I think this is unique. But it's
8 that we're seeking recovery the exact same way we would
9 in any of our other jurisdiction of Utilities, Inc.

10 **Q** Okay. Well, thank you for that answer, Mr. Cartin. A
11 couple more here, while I think of the one that I
12 couldn't think of a minute ago. A couple more here. In
13 the night hearing here in Columbia, and it's been
14 referenced again today, and I don't know that it's been
15 addressed but it was mentioned today about some pressure
16 issues. And I'm specifically looking at some
17 handwritten notes that I've got from a resident, Mr.
18 Neely of West Columbia, who stated that – he said
19 something quite alarming, that it wasn't even good
20 enough for fire protection, to fight a fire. I don't
21 think that's been addressed today. Could any of you
22 address that?

23 **A** [GILROY] I can answer that. And I believe he lived in
24 the Laurel Meadows Subdivision.

25 **Q** I had West Columbia. Shadowfield Drive, West –

1 A [GILROY] Shadowfield Drive in West –

2 Q Yes, sir, West Columbia.

3 A [GILROY] – Columbia, off of Leaphart Road. Yes, on the
4 day, going back and looking at it – but I remember this
5 day very well, because I was out there. We actually
6 had, if you go up Leaphart Road, Leaphart Road comes out
7 of West Columbia and then Mineral Springs goes off. He
8 lives right here [indicating]. And on the day that he
9 was talking about, we had a fully engulfed, fully
10 involved fire in the Mineral Creek Subdivision, with the
11 house fully involved, and we had Lexington and – I can't
12 remember who else. There was two fire companies up
13 there that were hooked up to a few hydrants, that were
14 actually putting that fire out. And we actually – not
15 we. But there was actually, in the Planters Station
16 Subdivision, which is right down Mineral Springs, just
17 right there by Leaphart, at the other end of the street,
18 there was a fully involved house fire there, which they
19 were hooked up to our hydrants in that place, and they
20 were putting those out. That's the first I've heard of
21 Mr. Neely talking about that, but at the same timeframe,
22 it would've made sense. I'm not aware of a major fire
23 on his street. There might have been. The fire
24 department might have been called to respond to
25 something. But we had – we were addressing, or the fire

1 companies were addressing, through our water system, two
2 fully involved house fires at the same time as Mr. Neely
3 was talking about the pressure there. I do know – I
4 don't know the specifics of that, but I do know that we
5 provide a pretty constant 75 psi in the Laurel Meadows
6 Subdivision at all times through our West Columbia
7 interconnect.

8 **Q** So you feel like, currently, or going forward, that the
9 pressures in his area are –

10 **A** [GILROY] Yes.

11 **Q** – adequate?

12 **A** [GILROY] After that, I had someone go out, and probably
13 to eight, nine, ten households throughout the entire
14 Laurel Meadows Subdivision and look at it, and it was
15 all 72 to 75, 76, around there.

16 The only other thing he said that I just want to
17 speak to was the pink inside of the pipe, the
18 discoloration inside the water pipe, and that's kind of
19 a given. I don't think you'll find a water pipe
20 anywhere that, when it's cut out of service, that is not
21 going to have a discoloration on the inside of it. I
22 think he had some more colorful language for it.

23 **Q** Well, it was the pressure that raised a real alarm with
24 me.

25 **A** [GILROY] Uh-huh.

1 Q Another question for the panel – and Mr. Cartin, this
2 may be you – there’s been a lot of discussion today
3 about the new tax laws and about the potential of the
4 company over-earning or triggering a refund, and then
5 there was some discussion about ORS – you know, ORS
6 proposed adjustment, would it benefit the customers.
7 And, Mr. Cartin, I believe you stated, in your
8 surrebuttal testimony – your surrebuttal, Mr. Cartin, on
9 page three, he said, in the beginning of your answer
10 was, “No, any benefit would be illusory.” And then at
11 some point today, you made a comment – this is not in
12 your testimony – you said – I think you answered by
13 saying it would cause the company to come back in
14 sooner, if we accepted the ORS proposed adjustment.
15 Could you explain your comment about “illusory” in that
16 situation in your testimony?

17 A [CARTIN] Yes. So, what I was trying to say was just
18 because it lowers revenue, moving forward, if we have to
19 – I hate to keep using the word, Mr. Nelson – refund, or
20 give back revenues collected through this period, while
21 that sounds on the surface like that’s just an immediate
22 benefit to the customers – which it may be a benefit
23 today, but it would not allow us an opportunity to earn
24 our allowed return, so our revenues would be lowered,
25 because we were charging approved rates through this

1 time period. So when we come in, when new rates are set
2 in this case, I believe the annual amount for that is
3 \$80,000 in revenue that we won't get, each year, because
4 we'll be refunding it to our customers as amortization
5 expense. And that would force us to not earn our
6 allowed return, which could cause us to come back in
7 sooner for a rate increase.

8 **Q** And that's what you meant by the "illusory" statement in
9 your testimony, in your surrebuttal?

10 **A** [CARTIN] Yes, sir.

11 **Q** All right.

12 **A** [CARTIN] Fancy word used by my attorneys, I think.

13 **Q** All right. Okay. Well, thank you.

14 **A** [CARTIN] "Deceiving" maybe could be another word.

15 **Q** And, lastly, I guess I'm not supposed to be old enough
16 to do this, but I have now remembered what I wanted to
17 ask you, and it was sparked by something Commissioner
18 Fleming just asked you, and it just hit me. She asked
19 you a question about the interruption in service, that
20 being in your tariff now about being able to come back
21 before the Commission. Now, let's kind of walk through
22 this just a second. What you're saying, if there's a
23 dispute along those lines you would still, first, the
24 customer – you mentioned a dentist's office, I think –
25 the customer still would go to ORS to file their

1 complaint. But you're saying that the Commission would
2 decide that dispute, that complaint, rather than having
3 to go to the court system. Is that – am I understanding
4 correctly?

5 **A** [CARTIN] Yes, if it couldn't be settled. ORS does a
6 great job of helping us settle these issues before they
7 get escalated to your level, but –

8 **Q** Right.

9 **A** [CARTIN] – we'd like to settle it through the Commission
10 rather than the courts.

11 **Q** And that's what you're referring to in your tariff?

12 **A** [CARTIN] Yes, sir.

13 **Q** And just to be clear, one step further, you're talking
14 about interruption-in-service type complaints, not any
15 actual damages. You realize what you're saying is any
16 damages would still have to be awarded, as they should,
17 through another court.

18 **A** [CARTIN] Yes, sir. Just specific to interruptions in
19 service.

20 **CHAIRMAN WHITFIELD:** Okay. All right. Well,
21 that clarifies that, and that's all I have. I
22 don't know if there are any further Commissioner
23 questions.

24 [No response]

25 If not – I don't see any – I'm going to turn

1 back to your attorneys for redirect. Mr. Elliott
2 and Mr. Terreni.

3 **MR. TERRENI:** Mr. Chairman, I'd like to ask
4 Mr. Cartin a few questions on redirect, and then
5 Mr. Elliott will follow with the witnesses that he
6 presented on direct, if that's okay.

7 **CHAIRMAN WHITFIELD:** Mr. Terreni, can you give
8 us one second?

9 **MR. TERRENI:** Yes.

10 **CHAIRMAN WHITFIELD:** All right, Mr. Terreni.
11 You and Mr. Elliott go ahead.

12 **MR. TERRENI:** Thank you, Mr. Chairman.

13 **REDIRECT EXAMINATION**

14 **BY MR. TERRENI:**

15 **Q** Mr. Cartin, just to be clear on the EQ basin, you stated
16 earlier to the Commissioners that you weren't claiming
17 the cost of the new EQ basin liner; is that correct?

18 **A** [CARTIN] That's correct.

19 **Q** What are the costs we're claiming for? They're for the
20 remediation and the removal of the old liner?

21 **A** [CARTIN] Yes.

22 **Q** Okay. And how much are those costs?

23 **A** [CARTIN] Approximately \$1.1 million.

24 **Q** Okay, thank you. Now, going to the *Riverkeeper* suit,
25 when did the Riverkeeper bring that lawsuit?

1 **A** [CARTIN] I believe it was 2012 or '14.

2 **Q** Before the last rate case.

3 **A** [CARTIN] Yes.

4 **Q** Okay. And as the Commissioner – as Commissioner
5 Bockman, I believe, asked, what was the main thing? One
6 sentence. What was the Riverkeeper asking the court to
7 do?

8 **A** [CARTIN] Get the pipe – get the discharge pipe out of
9 the lower Saluda River and tie in with the Town of
10 Lexington.

11 **Q** Okay. And what – did Carolina Water Service ask the
12 Town of Lexington for an interconnection?

13 **A** [CARTIN] Yes.

14 **Q** And what was the response?

15 **A** [CARTIN] There was no response.

16 **Q** Okay. Now, eventually, an interconnection was achieved.
17 I think we've established that.

18 **A** [CARTIN] Yes.

19 **Q** Through the condemnation.

20 **A** [CARTIN] Correct.

21 **Q** Between the time that Riverkeeper brought his lawsuit –
22 well, let me back up. You were running this Friarsgate
23 plant. Did you have a permit in 2015, when the suit was
24 brought?

25 **A** [CARTIN] Talking about I-20? Or Friarsgate?

1 Q I mean, I-20. I'm sorry. I get mixed up. I-20.

2 A [CARTIN] We have a permit, yes.

3 Q Okay. And did that change at any time?

4 A [CARTIN] DHEC denied the permit renewal.

5 Q Okay, and when did that happen?

6 A [CARTIN] I believe that happened in 2016.

7 Q Okay. And when DHEC denied the permit renewal, what did
8 they say about interconnection?

9 A [CARTIN] They told us we needed to seek an
10 interconnection with the Town of Lexington.

11 Q Did they say anything to the Town of Lexington?

12 A [CARTIN] They told the Town of Lexington that they need
13 to work proactively with us to get this issue solved, is
14 my understanding.

15 Q And Town of Lexington, I believe you said, is a 208
16 provider.

17 A [CARTIN] Yes.

18 Q What is a 208 provider?

19 A [CARTIN] They're the designated regional facility when
20 these plants approach end-of-life and they want to tie
21 in, for regionalization.

22 Q So they're – Lexington, as a 208 provider, had what
23 obligations to you regarding the I-20 system?

24 A [CARTIN] To take our flow from the I-20 sewer system and
25 treat it.

1 Q And so in 2016, DHEC issues this order. And then what
2 happens with Lexington? Well, they brought a
3 condemnation action, did they not?

4 A [CARTIN] Yes.

5 Q And as a result of the condemnation action, Lexington
6 did what?

7 A [CARTIN] Took possession of our system.

8 Q And connected it?

9 A [CARTIN] And interconnected it with their system, with
10 their regional facility.

11 Q Is that what DHEC was asking them to do?

12 A [CARTIN] Yes.

13 Q Okay. Now, turning to the issue of purchased water from
14 the City of West Columbia, how many customers – do you
15 know how many customers the City of West Columbia has in
16 our rate class, in CWS's rate class?

17 A [CARTIN] I believe there's one other customer.

18 Q Okay. And your customers, CWS customers, for whom
19 you're buying this water, do you know whether they live
20 in the City boundaries?

21 A [CARTIN] They're in the unincorporated areas.

22 Q So they don't live in the City of West Columbia?

23 A [CARTIN] Correct.

24 Q And because they don't live in the City of West
25 Columbia, if they were upset about this increase, would

1 they have the wherewithal to vote against the incumbents
2 in the City of West Columbia who raised their rates by
3 50 percent?

4 **A** [CARTIN] No, they would not.

5 **Q** Okay. Turning to the tax issue, there was some talk
6 about the deferral account on purchased water. You use
7 that example in your testimony. Before the deferral –
8 when was the deferral account established?

9 **A** [CARTIN] December 22, 2015.

10 **Q** And how was it established?

11 **A** [CARTIN] Through a rate case.

12 **Q** Well, yeah. This Commission allowed you to establish
13 the deferral account, correct?

14 **A** [CARTIN] Correct.

15 **Q** And before then, how was the purchased-water charge
16 handled?

17 **A** [CARTIN] Before then, for instance, if the City of West
18 Columbia had raised our rates, I would notify our
19 customers of the rate increase, and then pass it along
20 to them 30 days after notification.

21 **Q** And you're allowed to do that, how? Because the
22 Commission allowed it?

23 **A** [CARTIN] Approved rates, yes.

24 **Q** Okay. Now, if other costs, since January 1st – if your
25 power costs went up since January 1, 2016, would you be

1 able to pass that charge on to the customers?

2 **A** [CARTIN] I would not.

3 **Q** If wages went up, could you pass that charge to the
4 customers?

5 **A** [CARTIN] No.

6 **Q** Commissioner Fleming was asking you about – was asking
7 you and Mr. Gilroy, I believe, about capital expenditure
8 plans; is that correct?

9 **A** [CARTIN] Yes.

10 **Q** Okay. And what you plan to do to make sure – I know
11 Commissioner Bockman mentioned it, as well – how are you
12 going to ensure that the company begins providing
13 service to or it continues to provide adequate service
14 to its customers, and improvements. Right?

15 **A** [CARTIN] Yes.

16 **MR. TERRENI:** I want to show him this, if
17 that's okay [indicating].

18 **MR. NELSON:** [Indicating.]

19 **BY MR. TERRENI:**

20 **Q** Has the company retained an engineering firm, recently?

21 **A** [CARTIN] Yes, we have.

22 **Q** Who have they retained?

23 **A** [CARTIN] GMC, Goodwin Mills Cawood Engineering.

24 **Q** And they were mentioned earlier today, right?

25 **A** [CARTIN] Yes.

1 Q Do you recognize this document [indicating]?

2 A [CARTIN] [Indicating.] I do.

3 Q What is that?

4 A [CARTIN] It's engineering consultant services. It's a
5 task order for working with them to go out and put eyes
6 on all of our system and give us a third-party opinion
7 of how to prioritize where to spend our money, how to
8 optimize our operations, things of that nature.

9 MR. TERRENI: I only have one copy of this,
10 so —

11 MS. VALTORTA: May I see that?

12 MR. TERRENI: Ma'am, I'm sorry [indicating].

13 MS. VALTORTA: [Indicating.] Can I get a copy
14 of it?

15 MR. TERRENI: Of course, as soon as I get a
16 copy. I only have one, so I'm going to read along
17 with my witness. [Indicating.]

18 MR. KNOWLTON: [Indicating.]

19 BY MR. TERRENI:

20 Q Mr. Cartin, I'm going to stand behind you, because it'll
21 be easier. Do me a favor. Tell the Commission what
22 paragraph one of this task list says. Just read it.

23 A [CARTIN] Right here [indicating]?

24 Q Paragraph one, the number one.

25 A [CARTIN] Number one, okay. "Desktop review of assets

1 owned by Carolina Water Service in State of SC.

2 **Q** How about paragraph three?

3 **A** [CARTIN] "Visit sites across the State, as necessary."

4 **Q** How about paragraph four?

5 **A** [CARTIN] "Work with your staff throughout this project
6 to create a partnership to attain the best solution."

7 **Q** Paragraph five?

8 **A** [CARTIN] "Develop an iterative capital improvement plan
9 with costs and prioritization of projects." I said that
10 word wrong.

11 **Q** Thank you. And, finally, paragraph 10.

12 **A** [CARTIN] "Prepare a written report outlining capital and
13 operational costs, staffing suggestions, and general
14 recommendations where operational efficiencies can be
15 gained."

16 **MR. TERRENI:** Thank you.

17 Mr. Chairman, I'd like to move this exhibit –
18 this letter – or, I'm sorry; it's not a letter,
19 it's a Task Order with GMC Engineering Consultant
20 Services – into evidence.

21 **CHAIRMAN WHITFIELD:** Okay, Mr. Terreni. We'll
22 enter that as Hearing Exhibit No. 13, and we'll
23 need to get copies, of course, made, as well. I
24 think you said that's your only copy.

25 **MR. TERRENI:** We will, too. That's the

1 original.

2 CHAIRMAN WHITFIELD: All right. We will enter
3 that as Hearing Exhibit No. 13.

4 MS. HEIGEL: I do need the original back.

5 COURT REPORTER: I'll take care of it.

6 MR. TERRENI: Thank you.

7 CHAIRMAN WHITFIELD: Boy, that's really in
8 demand. But we'll enter it as Hearing Exhibit No.
9 13, and won't let anything happen to it until the
10 copies are made.

11 [WHEREUPON, Hearing Exhibit No. 13 was
12 marked and received in evidence.]

13 MR. TERRENI: Mr. Chairman, that concludes my
14 redirect.

15 CHAIRMAN WHITFIELD: Thank you, Mr. Terreni.
16 Mr. Elliott.

17 MR. ELLIOTT: If I may?

18 REDIRECT EXAMINATION

19 BY MR. ELLIOTT:

20 Q Mr. Gilroy, most of my questions are directed at you, on
21 redirect. You were asked several questions by Ms.
22 Valtorta about the Forty Love Subdivision, and,
23 actually, there were some questions by the Commission.
24 Do you recall those questions, generally?

25 A [GILROY] Yes.

1 **Q** All right. And please describe the pipe that's in the
2 ground at Forty Love.

3 **A** [GILROY] Well, the pipe that makes up the main and all
4 the service connections is PVC; it's plastic.

5 **Q** All right. So it's relatively modern, correct?

6 **A** [GILROY] Yes, as PVC goes.

7 **MR. TERRENI:** [Indicating.]

8 **MR. ELLIOTT:** I like that side.

9 **MR. TERRENI:** Can you move?

10 **MR. ELLIOTT:** I can. I'm trying not to stand –

11 **CHAIRMAN WHITFIELD:** Mr. Elliott, we've got
12 you with a Lavalier on, so you can move around,
13 like you normally do.

14 **MR. ELLIOTT:** Well, I'd rather have my back to
15 posterity than I would to y'all, is the problem.

16 I'd rather be at my desk.

17 **BY MR. ELLIOTT:**

18 **Q** Now, there have been some concerns by two or three
19 customers about their LETTS system, correct?

20 **A** [GILROY] Yes.

21 **Q** How many complaints have you had, say, since the last
22 rate case, concerning LETTS systems at Forty Love?

23 **A** [GILROY] I don't know the exact number, but the
24 reoccurring ones would be two. That would be Mr. Dixon
25 and – Dickens.

1 **Q** All right. The two witnesses. And so they're
2 recurring, and you testified to the method in which you
3 intend to try to remedy those concerns, correct?

4 **A** [GILROY] Yes.

5 **Q** All right. Now, I want to talk to you a little bit
6 about the I-20 system. And I got a little confused by
7 some of the questions from the various parties. Now,
8 the I-20 permit, at least before it was – the system was
9 condemned, what was the status of the permit just before
10 it was condemned? What was the last thing DHEC did?

11 **A** [GILROY] The last thing they did was issue a new permit.
12 Well, they didn't issue a new permit; they issued a
13 draft permit.

14 **Q** All right. But, ultimately, they denied the renewal of
15 the permit, correct?

16 **A** [GILROY] Correct.

17 **Q** For I-20? But for a long period of time, you are
18 operating on an expired permit?

19 **A** [GILROY] On an expired permit, yes, sir.

20 **Q** And DHEC's policy with respect to those expired permits
21 was to allow the company to continue to operate and
22 maintain compliance with that expired permit, correct?

23 **A** [GILROY] Yes, sir.

24 **Q** All right. Now, there are some questions about some
25 violations of the permit, and, so, but first my question

1 would be, are all permit violations – do they all
2 necessarily result in a consent order?

3 **A** [GILROY] No.

4 **Q** What would be a typical permit violation for any system?
5 You can use I-20 as an example or you can use any other
6 system that you have.

7 **A** [GILROY] Just a typical violation –

8 **Q** Right.

9 **A** [GILROY] – would be a BOD violation, whether a daily or
10 a weekly average or a total settleable solids, a TSS, or
11 a fecal, or a – whatever the parameters happen to be on
12 there they set.

13 **Q** And you're required to test for those violations,
14 correct? Or for compliance?

15 **A** [GILROY] Yes.

16 **Q** And you self-report a violation to DHEC?

17 **A** [GILROY] Yes.

18 **Q** But DHEC does not necessarily always punish you, by a
19 fine or a consent order, for a violation.

20 **A** [GILROY] No, it has to rise to that occasion.

21 **Q** All right. Depends on the severity of the violation.
22 So go back to I-20, say, in the preceding dozen or so
23 years in the I-20 system. Had you had any consent
24 orders in the I-20 system?

25 **A** [GILROY] Not to my knowledge.

1 Q Can you recall when's the last time you had a consent
2 order in the I-20 system?

3 A [GILROY] If there was one, it was before my time. And I
4 started in '89.

5 Q Okay.

6 A [GILROY] I'm not aware of any.

7 Q So the violations that we readily admit, because we
8 self-monitor and self-report, were relatively minor and
9 did not rise to a level of consent order?

10 A [GILROY] Relatively minor and infrequent.

11 Q All right. Now, Mr. Nelson cross-examined you about a
12 DHEC consent order for Friarsgate. And I think he may
13 have cross-examined you about two –

14 A [GILROY] Yes.

15 Q – which made me confused, and so I want you to help
16 clarify my confusion. Now, you did not have the benefit
17 of the consent order that he was examining you on – and
18 that's perfectly fine, but I think the best place for us
19 to find it, since it was Mr. Nelson's questions, is
20 through the prefiled testimony of his witness, Mr.
21 Schellinger.

22 A [GILROY] Uh-huh?

23 Q So I'm going to show you Mr. Schillinger's prefiled
24 testimony. The court reporter has it for me. And I'm
25 going to draw your attention to the consent order in

1 question [indicating]. And since I'm more familiar with
2 this than you, I will turn it to the page. And I'm
3 going to show you – I've got – this is prefiled
4 testimony of Matthew P. Schellinger, II. He's the ORS
5 witness, over here. And it's the revised surrebuttal
6 testimony of Mr. Schillinger. And Mr. Schellinger was
7 very kind to attach to his testimony a DHEC Consent
8 Order 16-039-W. Do you see that?

9 **A** [GILROY] Correct, yes.

10 **Q** And just to help you refresh your recollection, I'm
11 going to turn in the order to – and these pages are
12 numbered – the consent order is found at 2-of-24 on
13 Surrebuttal Exhibit Schellinger -4. And I'm turning
14 over, just for a moment, to page 4-of-24, and on
15 paragraph seven, do you see a paragraph that describes
16 the settlement conference? And, if so, who was at the
17 settlement conference? It's fine print. I hope those
18 glasses –

19 **A** [GILROY] Yeah.

20 **Q** I'll read it to you, if you can't.

21 **A** [GILROY] No. Mr. Bob Gilroy; Mr. Carl Roberts,
22 Haynesworth, Sinkler & Boyd; and Jimmy Holland of W.K.
23 Dixon Engineering.

24 **Q** All right. Now, I'll leave that with you, because I've
25 got a copy. So, do you recall that settlement

1 conference at DHEC over the Friarsgate issue in
2 question?

3 **A** [GILROY] Yes.

4 **Q** This was the 2016 upset?

5 **A** [GILROY] Yes.

6 **Q** And if you turn to page 5-of-24 in that exhibit, there
7 is an order provision: "Now, therefore, it is ordered,
8 consented to, and agreed." You see that main paragraph
9 there?

10 **A** [GILROY] Yes.

11 **Q** Number one provides that, within 90 days of the
12 execution date of this order, you are to submit to DHEC
13 a corrective action plan. Do you see that?

14 **A** [GILROY] Yes, sir.

15 **Q** All right. And it's to include a schedule of
16 implementation, reporting the corrective actions that
17 have been taken, and any corrective actions planned to
18 adequately address the potential sources contributing to
19 the fecal violations. Do you see that?

20 **A** [GILROY] Yes, sir.

21 **Q** Now, for the purposes of that corrective action plan,
22 did you employ the services of Mr. Holland, or W.K Dixon
23 in general, to help you comply with that provision?

24 **A** [GILROY] Yes, I did.

25 **Q** Now, down to paragraph two, it says, "Within 30 days of

1 the execution of the date of this order, submit to DHEC
2 an operations and maintenance manual with standard
3 operating procedures and checklists for the operation of
4 all aspects of the WWTF," wastewater treatment
5 facilities, "treatment processes and sludge management,
6 to include, at a minimum, process control observations,
7 testing schedules, bench sheets, log entries, et
8 cetera." Do you see that?

9 A Yes, sir.

10 Q "As prescribed by a South Carolina Registered
11 Professional Engineer."

12 A [GILROY] Yes, sir.

13 Q All right. Are you an engineer?

14 A [GILROY] No.

15 Q Is Mr. Cartin an engineer?

16 A [GILROY] No.

17 Q Is Mr. Hunter an engineer?

18 A [GILROY] No, sir.

19 Q Do you have any engineers on staff at Carolina Water
20 Service?

21 A [GILROY] No, sir.

22 Q Does it stand to reason, Mr. Gilroy, that you would turn
23 to an engineer to help you draft this part of the
24 corrective action plan?

25 A [GILROY] Yes.

1 Q And does it stand to reason, Mr. Gilroy, that you would
2 rely on the services of W.K. Dixon to do that for you?

3 A [GILROY] Yes, sir.

4 Q Number three: "Continue to conduct sampling of the
5 wastewater treatment facility's final effluent for fecal
6 coliform on a daily basis until notified otherwise in
7 writing by the Department." That's part of the
8 corrective action plan, right?

9 A [GILROY] Yes, sir.

10 Q Number four: "Modify the comprehensive process control
11 testing and evaluation program to include, at a minimum,
12 the following." Do you see that language?

13 A [GILROY] Yes, sir.

14 Q So you had a comprehensive process control testing and
15 evaluation program, but they wanted it modified to be
16 improved?

17 A [GILROY] Yes, sir.

18 Q And did Mr. Holland and W.K. Dixon – did they assist you
19 in this process?

20 A [GILROY] Yes.

21 Q Now, one thing that – because you were cross-examined
22 about sludge and there were some sludge questions in
23 this case, and this modified comprehensive process
24 control testing and evaluation program would include a
25 number of things – and I'm not going to read them all,

1 but I'm going to read several – "(b) sludge blanket
2 depths in individual clarifiers at least twice per day."
3 So they were concerned about the sludge treatment at the
4 plant, correct?

5 **A** [GILROY] [Nodding head.]

6 **Q** "(e) Mixed liquor suspended solids and mixed liquor
7 volatile suspended solids in individual aeration basins
8 at least two times per week." The mixed liquor, which
9 I've always been fascinated by as a concept in
10 wastewater treatment, has what impact on sludge? Sludge
11 management?

12 **A** [GILROY] Well, you'll get your concentration of solids.

13 **Q** All right. So that pertains to sludge. "(f) Select and
14 utilize at least one of the following most commonly used
15 activated sludge process control techniques," and then
16 they list some for you, right?

17 **A** [GILROY] Uh-huh.

18 **Q** And working collaboratively with DHEC, Mr. Holland and
19 W.K. Dixon helped you, the parties to this consent
20 order –

21 **MR. NELSON:** Excuse me. This is really,
22 really leading questions.

23 **CHAIRMAN WHITFIELD:** Mr. Nelson –

24 **MR. NELSON:** And I don't mind –

25 **CHAIRMAN WHITFIELD:** – can you get to a mic?

1 Cut a mic on?

2 MR. NELSON: [Indicating.] These are extreme
3 leading questions at this point. Mr. Elliott is
4 reading from a document and he's getting his
5 witness to say yes. At a minimum, he needs to get
6 the witness to read it. That's just the least I
7 think you can do, to avoid such a leading question
8 on this.

9 MR. ELLIOTT: And I —

10 CHAIRMAN WHITFIELD: Mr. Elliott?

11 MR. ELLIOTT: — don't disagree, but I would
12 submit to you, Mr. Chairman, it'd go faster if you
13 let me do the reading.

14 CHAIRMAN WHITFIELD: Well, let's try to stick
15 to you asking the question and not leading the
16 witness.

17 MR. ELLIOTT: Yes, sir, Mr. Chairman. Thank
18 you.

19 CHAIRMAN WHITFIELD: And not that I want to be
20 here all night.

21 MR. ELLIOTT: No, I'll — I think we get the
22 point.

23 BY MR. ELLIOTT:

24 Q Please tell me what the term "sludge volume index" means
25 in the context of this order.

1 **A** [GILROY] Sludge volume index is – it’s how you determine
2 the sludge in your plant. If you look at an aeration
3 basin or a digester, it looks – it’s brown liquid, so
4 you have to determine what the solids content would be
5 in it.

6 **Q** All right, sir. And then what is “sludge retention
7 time”?

8 **A** [GILROY] Just sludge age. The age of the sludge.
9 Sludge, it’s a living – for the most part, a living
10 organism, so you can’t have it get too old or you’ll
11 have a problem.

12 **Q** And why can’t you – what’s the impact if you let it get
13 too old?

14 **A** [GILROY] It doesn’t eat as much. It gets older and less
15 active and does not help the process in the plant.

16 **Q** All right. Could it cause a plant upset or –

17 **A** [GILROY] Yes.

18 **Q** – additional sludge?

19 **A** [GILROY] Yes.

20 **Q** (g) – I’m going to read (g) to you, and then I’m going
21 to ask you what the import is. Let’s see if I can – if
22 this will help a little bit. “(g) Influent, effluent,
23 return sludge, and waste activated sludge flow rates.”
24 Why was that important in this corrective action plan?

25 **A** [GILROY] The waste activated sludge flow rates is

important because you have to waste off – you have a biological process going in the aeration – re-aeration basin, where you have influent coming in and then mixing with the treated process that’s already in process. So what happens is you come in here and you start having your sludge volume start to build, because you’re actually growing more bacteria. So you want to keep it at that ideal level, so, as the bacteria grows, of course, it gets more concentrated, and you’re continually wasting off bacteria to go be processed and sent to the landfill.

Q And let’s be clear about that term “waste,” because I get it, but what are you saying when you say “waste”? If you weren’t a wastewater treatment operator, what’s another word you’d use for “wasting” sludge?

A [GILROY] Getting rid of it.

Q Yeah. You would truck it to the landfill?

A [GILROY] Right.

Q So as a result of this corrective action plan, at least so far as we’ve read, the sludge production of your plant was important to DHEC.

A [GILROY] Yes.

Q And why?

A [GILROY] Because if – well, sludge production is sludge for inventory control, because if you have too much you

1 can run into a problem.

2 **Q** And what kind of problem?

3 **A** [GILROY] Plant upset.

4 **Q** All right. Now, draw your attention to number five, at
5 the bottom of page six. What did the corrective action
6 plan require, with respect to number five, and in
7 particular I draw your attention to disposal of solids?

8 **A** [GILROY] "Within 30 days from the execution of this
9 order, submit to the Department a project timeline for
10 CWS to remove and properly dispose of the solids and
11 grit from the EQ basin and complete repairs to the EQ
12 basin liner. Once approved by the Department, implement
13 the removal and disposal project."

14 **Q** So, twofold, you had to get rid of the sludge and you
15 had to replace the EQ liner?

16 **A** [GILROY] Yes.

17 **Q** Number seven. Please publish number seven.

18 **A** [GILROY] "For a period to be determined by the
19 Department, but no later than the term of this order,
20 utilize the services of an independent certified
21 operator under the direction of a South Carolina
22 Professional Registered Engineer to operate the
23 wastewater treatment facility."

24 **Q** All right. And did you comply with that?

25 **A** [GILROY] Yes, sir.

1 Q And read number 11.

2 A [GILROY] "Within 90 days of the execution date of the
3 order, pay to the Department a civil penalty in the
4 amount of \$78,940."

5 Q All right. Did Carolina Water comply with that?

6 A [GILROY] Yes, sir.

7 Q And you heard the testimony from your associates, here.
8 Is Carolina Water seeking recovery of that fine in any
9 way?

10 A [GILROY] No, sir.

11 Q Now, The consent order talks about, as you've indicated,
12 sludge and so forth. There's some – the ORS has
13 objected to your recovering your sludge costs, have they
14 not?

15 A [GILROY] I understand they do.

16 Q And when preparing the rate Application, did you, as a
17 part of the process, and your associates, did y'all make
18 sure that the actual sludge-hauling costs for the test
19 year were included in the rate case?

20 A [GILROY] Yes.

21 Q And do you understand that ORS has declined to authorize
22 you full recovery, but they want to average it over
23 three years?

24 A [GILROY] Yes, sir.

25 Q And they want to go back three years before the consent

1 order, to start their average, correct?

2 A [GILROY] Yes, sir.

3 Q But you were cross-examined by Mr. Nelson about sludge-
4 hauling costs. Do you anticipate your sludge-hauling
5 costs under this order to go down?

6 A [GILROY] No.

7 Q In fact, this consent order is all about your getting
8 sludge out of your plant, is it not?

9 A [GILROY] Yes.

10 Q And I think you have Republic, that hauls the sludge?

11 A [GILROY] Republic. It's – they were bought by Waste
12 Management not too long ago, but they still invoice
13 under Republic.

14 Q And have those costs remained steady?

15 A [GILROY] No, they've risen.

16 Q Do you have – can you give the Commission a concrete
17 example of the increased transport costs?

18 A [GILROY] Funny that you'd say that. [Indicating.] In
19 the last year – I just did a quick look, and in the last
20 year from invoices from Republic, an invoice dated
21 February 28, 2017, the disposal cost was \$390.58. On
22 the same invoice, on February 28, 2018, it was \$449.17
23 for the disposal of the same amount.

24 Q And would Carolina Water find it – would Carolina Water
25 be able to provide adequate, clean, safe, sanitary

1 service to its customers if it were permitted to recover
2 all of its sludge transport costs?

3 **A** [GILROY] Yes.

4 **MR. ELLIOTT:** No further questions.

5 **CHAIRMAN WHITFIELD:** Thank you, Mr. Elliott.

6 Any recross, Ms. Valtorta?

7 **MS. VALTORTA:** Yes.

8 **CHAIRMAN WHITFIELD:** Ms. Valtorta, can you
9 approach the bench just a minute?

10 **MS. VALTORTA:** Certainly.

11 [Discussion off the record]

12 **CHAIRMAN WHITFIELD:** All right. Ms. Valtorta,
13 go ahead.

14 **MS. VALTORTA:** Yeah. I am – is this on
15 [indicating]? First of all, I would move to strike
16 Mr. Gilroy's response to a question by Commissioner
17 Elam about the feasibility of putting in a
18 gravitational system at Forty Love, and the reason
19 I do that is it was hearsay. Mr. Gilroy was
20 quoting engineers who are not here. And, you know,
21 this is – we have basically agreed to have a study
22 done at Forty Love Point of the LETTS system, and
23 we would like to find out the feasibility of
24 improving the system. So I move to strike that
25 testimony by Mr. Gilroy.

1 **CHAIRMAN WHITFIELD:** Mr. Terreni, Mr. Elliott,
2 any response to Ms. Valtorta's motion?

3 **MR. ELLIOTT:** Well, I –

4 **CHAIRMAN WHITFIELD:** Mr. Elliott, can you cut
5 your mic on? Or just go to the podium, whatever's
6 quicker?

7 **MR. ELLIOTT:** You know, I think that the – I
8 don't think that the intent of the questioner was
9 to have a detailed evidentiary representation of
10 the cost; I think he was just trying to get some
11 sort of a sense from the company as to whether they
12 considered the cost. I think you let it in for
13 what it's worth. It is hearsay, but I don't think
14 it's damaging to the case.

15 **MS. VALTORTA:** I should have moved to strike
16 immediately, but I didn't know whether I was
17 permitted to do that while the Commissioners were
18 questioning.

19 **CHAIRMAN WHITFIELD:** Ms. Valtorta, I am – you
20 were permitted to do that, and I am going to have
21 to overrule your motion to strike. I heard good
22 legal authority that it did need to be done
23 already. So I'm sorry, I'm –

24 **MS. VALTORTA:** I understand.

25 **CHAIRMAN WHITFIELD:** – going to have to deny

1 your motion to strike.

2 **MS. VALTORTA:** I understand.

3 **RECROSS EXAMINATION**

4 **BY MS. VALTORTA:**

5 **Q** Mr. Gilroy, have you ever received complaints about a
6 sewage backup from Keith Wagoner?

7 **A** [GILROY] Yes.

8 **Q** Okay. And you received complaints from Jay Dixon and
9 Bobbie King.

10 **A** [GILROY] Yes.

11 **Q** Plus Keith Wagoner, correct?

12 **A** [GILROY] Yes.

13 **Q** And, also, have you received complaints about similar
14 problems from Herb Bailey?

15 **A** [GILROY] Yes, I have. And I meant to, when I answered
16 Mr. Elliott and said the two, that's the two I was
17 working with. I meant to say Mr. Bailey. I'd actually
18 written it down here: Dr. Herbert Bailey. And Keith
19 Wagoner, as I've been to his house.

20 **Q** Okay. And have you ever heard such complaints in the
21 past from Nancy Williamson about sewage backup in her
22 house?

23 **A** [GILROY] Not that I remember, no, not that I can recall.

24 **Q** Okay. So it's not just two people. And have we -- is
25 W.K. Dixon the engineering firm that's going to be

1 looking at Forty Love Point?

2 **A** [GILROY] No.

3 **Q** Is it GMC?

4 **A** [GILROY] Yes.

5 **Q** Okay. And would we be able to submit an engineering
6 report also, paid for by the homeowners' association at
7 Forty Love?

8 **A** [GILROY] I don't have any decision on that.

9 **Q** Okay.

10 **A** [CARTIN] Submit –

11 **MS. VALTORTA:** That's –

12 **COURT REPORTER:** I'm sorry. Mr. Cartin, I
13 didn't hear your –

14 **WITNESS GILROY:** He asked, who did you want to
15 submit the report to?

16 **MS. VALTORTA:** I would like to submit it to
17 the Public Service Commission, at the same time
18 that you submit your report.

19 **WITNESS GILROY:** That's okay.

20 **CHAIRMAN WHITFIELD:** Ms. Valtorta, are you
21 asking for a late-filed exhibit?

22 **MS. VALTORTA:** No. No, no – no, sir. I'm just
23 talking about a study that we hope to be done –

24 **CHAIRMAN WHITFIELD:** I understand.

25 **MS. VALTORTA:** – of the neighborhood, and

evidence that the neighborhood might support also.

CHAIRMAN WHITFIELD: Okay. Thank you. Is that all you have, Ms. Valtorta?

MS. VALTORTA: It is.

CHAIRMAN WHITFIELD: Mr. Knowlton, any questions?

MR. KNOWLTON: Thank you, no.

CHAIRMAN WHITFIELD: Recross, rather. Mr. Nelson.

MR. NELSON: Real briefly.

RECROSS EXAMINATION

BY MR. NELSON:

Q I was scrolling on this, as I was hearing the redirect, so excuse me if I'm skipping around a little bit here.

Mr. Gilroy, I want to go to the questions I think Mr. Elliott asked you, regarding the W.K. Dixon work that was performed out at Friarsgate. Do you know the level of detail that's provided on the invoices that were given to ORS in the audit conducted in this case?

A [GILROY] At the time they were submitted, no, but I have seen them, yes.

Q And was a level of work that you've talked about here, was that included in those invoices that were given to ORS to review?

A [GILROY] Not the detail that they — I think they — I

1 believe they submitted it with – according to the people
2 that were working on it, and their hours.

3 **Q** So going back to the questions Mr. Elliott was asking,
4 that's – and you were talking about, that was the
5 consent order, right, that y'all were reviewing?

6 **A** [GILROY] Uh-huh.

7 **Q** So that's what was required by DHEC to be performed
8 under that consent order; is that correct?

9 **A** [GILROY] Yes.

10 **Q** So it doesn't have anything to do with what was invoiced
11 to the company or what was provided to ORS to review in
12 this case; is that correct?

13 **A** [GILROY] I believe so.

14 **Q** I'm not sure who this should go to, but – and maybe it's
15 Mr. Cartin. Mr. Cartin, do you have any idea how – what
16 was the total cost of the legal fees that were incurred
17 by the company on the I-20?

18 **A** [CARTIN] It was just under a million dollars. I don't
19 have the exact number.

20 **Q** And that's fine. I thought –

21 **A** [CARTIN] But it was very close.

22 **Q** – it was under a million dollars. On the Riverkeeper's
23 case, there were two causes of action, right, because
24 you just talked about getting the pipe out of the Saluda
25 River. The other part of that was that he had alleged

1 and part of his case involved violations of the NPDES
2 permit by the company; isn't that correct?

3 A [CARTIN] Yes.

4 Q Mr. Cartin, you also testified, I believe, to questions
5 that Mr. Terreni had asked you regarding remediation
6 costs that you were seeking, and I assume the
7 remediation costs, we're talking about the W.K. Dixon
8 costs and that type of thing that has to do with the
9 Friarsgate plant in the DHEC consent order? You made a
10 statement that the remediation costs you are seeking to
11 recover in this case are the same as what's been allowed
12 in other jurisdictions, didn't you?

13 A [CARTIN] What I was saying was, yes, how other
14 Utilities, Inc., companies operating in other areas
15 would seek recovery of similar costs, and I said they
16 would go the same route as I have.

17 Q So they're seeking recovery, not that they've been
18 awarded those costs; is that right?

19 A [CARTIN] I'm not aware of commission orders in other
20 jurisdictions on that.

21 Q I might have to show you this, Mr. Gilroy, but do you
22 still have that copy of Mr. Schellinger's testimony?

23 A [GILROY] Yes.

24 Q Oh, good. Would you please go to page 4-of-24 of that
25 same exhibit that we were looking at before, which is

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MPS-4?

A [GILROY] Yes.

Q I would ask if you could read paragraph one of the conclusions of law?

A [GILROY] "CWS violated the Pollution Control Act, South Carolina Code 48-1-110(d)," I guess the "Supp." is Supplemental –

Q Yes.

A [GILROY] – (2015) and Water Pollution Control Permits, 3 South Carolina Code Annotated" Regular – I'm sorry – "Regulations 61-9.122.41(a) and (d) (2014), in that it failed to comply with the effluent limits for fecal contained in its NPDES Permit."

MR. NELSON: Thank you. No further questions.

CHAIRMAN WHITFIELD: Thank you, Mr. Nelson.

Ms. Valtorta, you are next in line to present your case. However, at this time, I think we're going to take about a five- to ten-minute recess, and while we do, I want you and Mr. Knowlton and the attorneys for the company and attorneys for ORS to come up to the bench and speak with Mr. Butler about our schedule, going forward. And we'll come out in about five or ten minutes and announce that. Thank you. We're in recess.

[WHEREUPON, the witnesses stood aside.]

1 [WHEREUPON, a recess was taken from 5:52
2 to 6:06 p.m.]

3 **CHAIRMAN WHITFIELD:** Please be seated. Ms.
4 Valtorta, we're going to let you present your case
5 now. I understand you've got a witness that can't
6 come back with us tomorrow, so I'm going to turn it
7 over to you.

8 **MS. VALTORTA:** Great.

9 [Witness sworn]

10 THEREUPON came,

11 **B A R B A R A K I N G ,**
12 called as a witness on behalf of Intervenor Forty Love Point
13 Homeowners' Association, who, having been first duly sworn,
14 was examined and testified as follows:

15 **DIRECT EXAMINATION**

16 **BY MS. VALTORTA:**

17 **Q** Would you please state your name for the Commission?

18 **A** Barbara King.

19 **Q** Is that turned on?

20 **A** [Indicating.] My name is Barbara King.

21 **Q** Ms. King, have you had a chance to review the prefiled
22 testimony, the four pages, that we filed for this case?

23 **A** Yes, I have.

24 **Q** Okay. And is that your testimony as you would state it
25 now, if you were asked those questions now?

1 **A** Yes, it is.

2 **MS. VALTORTA:** Okay. We would move to have
3 that testimony entered.

4 **CHAIRMAN WHITFIELD:** Ms. King's testimony will
5 be entered as if given orally from the stand.

6 **BY MS. VALTORTA:**

7 **Q** And I just want to ask you a few more questions. And
8 just – I know this part is in the testimony, but how
9 long have you been experiencing sewage backup problems
10 at your house?

11 **A** Christmas Eve 2014.

12 **Q** And you live at Forty Love Point, correct?

13 **A** I live at Forty Love. I've been there for 25 years.

14 **Q** Okay. When that happened in December of 2014, did you
15 start to complain right away?

16 **A** I did.

17 **Q** And did you have meetings with people?

18 **A** We have had meetings with people. On January 17th, we
19 had meetings with Bob Gilroy and DHEC and Office of
20 Regulatory, the Dixon engineering group.

21 **Q** That was Jay Dixon who's also a neighbor?

22 **A** Yes.

23 **Q** And between then and now, has anything been done to help
24 with your problems?

25 **A** Not until the last 30 days. They came out and cleaned

up our tank, and identified that the tank was four feet under, which – according to the contractor that Carolina Water has contracted with, that has not caused the problem, being 40 – four feet. Did I say “40”? Four feet underground. But they dug it up, put a riser in it, and Gilroy and his group is planning on putting an extra tank to take care of the overflow, with a pump system.

Q So it's an extra pump? Or an extra tank?

A It's an extra – there's not a pump today, because it's gravity fed. There will be an extra tank with a pump to take care of the issue that we have.

Q Do you have any idea whether that's going to solve your problem?

A I don't know, because the tank is not there. But there is so much pressure when there's a heavy rain event, so much pressure that it has caused the clean-out area, the top of the clean-out, to open up and spew sewage all into Lake Murray.

Q How often have you seen that happen?

A One time.

Q Okay. And –

A And the reason that happened is because, on Christmas Eve 2014, we didn't know it was a sewage problem in our house, with Carolina Water. We knew we could not flush

1 the toilets. And I called the plumbers. The plumber
2 was the one that identified to me that it was possibly
3 Carolina Water wanting to know where the clean-out was,
4 and you walk out my back door – and it's a heavy rain
5 event – walk out my back door and you smell sewage
6 everywhere. And then the Old Faithful opened up.

7 **Q** You live near the water, correct?

8 **A** Yes.

9 **Q** And Jay Dixon, he lives near the water, too, right?

10 **A** Yes.

11 **Q** Okay. Do you have any sense of whether there are other
12 people in the neighborhood, without quoting anyone, who
13 have similar problems?

14 **A** There are others in the neighborhood who have similar
15 problems.

16 **CHAIRMAN WHITFIELD:** Ms. Valtorta, can you
17 hang on one second?

18 Ms. King – is her microphone working?

19 **MR. BUTLER:** Can you hear it, Jo?

20 **COURT REPORTER:** I can hear it.

21 **CHAIRMAN WHITFIELD:** Okay.

22 **COURT REPORTER:** I can turn it up a bit more
23 [indicating].

24 **CHAIRMAN WHITFIELD:** I think we might have a
25 little trouble with folks in the back maybe

1 hearing, I thought.

2 **BY MS. VALTORTA:**

3 **Q** So, have you noticed any reluctance among people to
4 report these problems?

5 **A** Well, yes, because even my husband has had reluctance to
6 report the problems to officials, in that it would
7 affect our house value.

8 **Q** Okay. And yet you continued to complain for a long
9 time.

10 **A** I did.

11 **Q** And –

12 **A** Because – and the reason I wanted to complain, I wanted
13 the problem fixed. Nothing is more embarrassing than
14 you can't flush your toilets or you can't wash, in a
15 heavy rain event.

16 **Q** Has anyone ever – have you ever gotten the sense that
17 the system is out of date?

18 **A** Well, yes, in that we've been in our house for 25 years.
19 Twenty-five years ago, I did not have a problem. I
20 started having a problem in the last four or five years,
21 when there has been more building. Our home was in what
22 we call Phase 1, the first homes built, and those were
23 the lake-frontage homes. Phase 2, Phase 3 homes have
24 been built, and that's when we started having problems.

25 **Q** And it's associated with rain?

1 **A** Heavy rain events.

2 **Q** Okay.

3 **A** And I consider – because I started watching the rain
4 gauge, it's a fear of ours, whenever we get a lot of
5 rain over a short period of time. It was, at the very
6 beginning, about four inches within 24 hours. But
7 lately, it's been like two inches within 24 hours.

8 **Q** Okay. Would that be two centimeters? Two inches is a
9 lot of rain.

10 **A** Well, listen –

11 **Q** Your rain gauge – when you get a lot of rain, in other
12 words.

13 **A** Yes.

14 **Q** Okay. Did you consider not complaining because of what
15 your husband said?

16 **A** I did.

17 **Q** All right.

18 **A** Well, let me rephrase that. I didn't consider not
19 complaining to Carolina Water, because the complaints
20 always went to Carolina Water. When you call Carolina
21 Water customer service, they don't always – are not
22 always able to handle your issue, but I will say Bob, if
23 I could – because I had his from the first of – when we
24 first had the incident in 2014. But he, bless his
25 heart, he's been helpful but he's not always readily

1 available to call on his cell phone.

2 **Q** Have you noticed a connection between them trying to do
3 something and the fact that there's a rate case?

4 **A** Well, we haven't had anyone to come and inspect our tank
5 until now.

6 **Q** And you've been complaining since December of 2014?

7 **A** Correct.

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23 [PURSUANT TO PREVIOUS INSTRUCTION, THE
24 PREFILED DIRECT TESTIMONY OF BARBARA KING
25 FOLLOWS AT PGS 603-606]

1 **Q: Please state your name and address.**

2 A: I am Barbara King. "Bobbie" is my nickname, and I live
3 at 132 Forty Love Point Drive, Chapin, SC 29036

4 **Q: Do you have issues with your water and sewer service?**

5 A: Yes, we have issues with sewer backup during heavy rain
6 events. For the past four years, we have experienced waste
7 water backup during heavy rain events. During this time, we
8 cannot flush any of our wastewater from showers, baths, toilets,
9 sinks, washing machines, etc. Prior to 2014, we experienced
10 sewer odors in plumbing. Plumbers investigated numerous
11 times and could not identify any problems with plumbing

12 **Q: Have you complained about this problem?**

13 A: Yes, since 2014, we complained and reported issues to:

- 14 1) Utilities, Inc. customer service and Bob Gilroy with UI
15 2) Sonja Johnson with Midlands EQC/BEHC DHEC
16 3) Paul Wise, Environmental Health Manager DHEC
17 4) Willie Morgan, SC Office of the Regulatory Staff
18 5) Sarah Johnson, SC Office of Regulatory Staff
19 6) Gary Wilson, SC Office of Regulatory Staff
20 7) Stewart Hill, Project Engineer with WK Dickson

21 8) James Caldwell, Owner Carolina Lift Stations

22 9) Nathan Ballentine, Member SC House of Representative

23 10) Bill Malinowski, Richland County Council.

24 Emails, calls and meetings to these individuals have been held
25 and sent to these individuals for the last 4 years. A meeting with
26 two affected Forty Love homeowners was held on January 11,
27 2017 with UI, DHEC, OOR, WK Dickson, Carolina Lift Systems (UI
28 invited Richland County, but they declined to attend). We also
29 reported the problem to SCE&G Water Management when UI
30 Wastewater Cleanout overflowed into Lake Murray. SCE&G
31 referred us to DHEC, who issued a water contamination notice for
32 affected cove neighbors.

33 **Q: What happens when you complain?**

34 A: Utilities, Inc. acknowledged problems and they even refunded
35 plumbing bills when we first reported the problems. They
36 assured us they were working on the issues. UI continues to
37 admit that they have problems because each time it rains, they
38 stage pump trucks at Forty Love and Hiller Road. During last
39 week's heavy rain events, Richland County staged pump trucks

40 at Lowman Home on Highway 76 in Hilton. UI reports a lack
41 of capacity with the forced main on Hiller Road.

42 **Q: What is the solution to this problem?**

43 A: Utilities, Inc. (Carolina Water Service), and Richland
44 County Sewer need to solve our wastewater problem in a
45 coordinated effort so that we can avoid pollution issues and
46 prevent sewage backup. As our neighborhood grows, and the
47 surrounding areas add houses, the sewage treatment facilities
48 will be less and less effective. Our neighborhood has an
49 outdated sewage collection system that needs to be replaced.

50 **Q: Have you improved the system at your house?**

51 A: There is nothing we can do. We maintain our LETTS
52 system by quarterly bacteria cleaning and every 3 years pump
53 our tank clean. UI (Carolina Water Service) acknowledges this
54 is their issue and not the homeowner's problem.

55 **Q: How much do you pay per month for wastewater removal?**

56 A: Fifty-two dollars. UI wants to raise the price to \$69 per month. If
57 they want to raise the price by \$17 per month, they need to
58 prevent our toilets from backing up. This issue has affected the
59 value of our home until a solution is provided.

Q: How many of your neighbors have this problem with wastewater backup?

A: This affects everyone with a house close to the lake in a low-lying area. Some people are afraid to speak out. As more homes are built, and the wastewater treatment system becomes more taxed, the backup could affect everyone. We have been in our house for 25 years, prior to phases two and three in Forty Love. Our house was one of the first houses built in Forty Love. We did not experience wastewater backups until more houses were built in surrounding area. Prior to heavy rains, we have noticed that UI (Carolina Water Service) stations pump trucks near the boat ramp area – the low point of our neighborhood sewage collection.

Q: What is your biggest concern?

A: Our biggest concern is that Carolina Water Service and Richland County have not solved this problem in three years despite our repeated complaints. Our second biggest concern is that when we get a heavy rain, raw sewage flows into Lake Murray. We want the problem to be fixed for the entire neighborhood.

1 **MS. VALTORTA:** All right. That's all I have.
2 Thank you.

3 **CHAIRMAN WHITFIELD:** Thank you, Ms. Valtorta.
4 Mr. Knowlton, any questions of this witness?

5 **MR. KNOWLTON:** No, thank you.

6 **CHAIRMAN WHITFIELD:** Mr. Nelson, ORS, any
7 questions of this witness?

8 **MR. NELSON:** No questions, Mr. Chairman.
9 Thank you.

10 **CHAIRMAN WHITFIELD:** Okay. Company?

11 **MR. TERRENI:** [Shaking head.]

12 **CHAIRMAN WHITFIELD:** No questions?

13 Commissioners. Commissioners, any questions
14 of Ms. King?

15 [No response]

16 Well, if not, you may step down, and thank you
17 for your testimony. Ms. King, we're going to go
18 ahead and excuse you, since I understand you have
19 obligations tomorrow.

20 [WHEREUPON, the witness was excused.]

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22 [PURSUANT TO PREVIOUS INSTRUCTION AND PER
23 AGREEMENT OF COUNSEL, THE PREFILED DIRECT
24 TESTIMONY {W/VERIFICATION} OF JAY DIXON
25 FOLLOWS AT PGS 608-613]

1 **Q: Please state your name and address.**

2 A: Jay Dixon, 105 Forty Love Point Chapin, SC 29036. I am an
3 engineer.

4 **Q: Do you have issues with your water or sewer service?**

5 A: Yes, our sewer system. For the past four years, we have
6 experienced wastewater backup at our house. This is a
7 neighborhood-wide problem. During heavy rains the
8 Forty Love sewer system cannot pump out enough
9 wastewater to prevent the system from backing up.

10 During these events, wastewater will back up into our
11 septic tank and fill the pipes inside our house and back up
12 into our downstairs toilet and shower. The last event was
13 significant enough that we had standing sewage water in
14 our shower.

15 **Q: Have you complained about this problem?**

16 A: Yes, beginning in December of 2104 we contacted the
17 emergency call center to report the problem when we had
18 sewage backup. They would respond within an
19 hour and send out a pumping truck to pump out the
20 sewage from the neighborhood lift station at the boat ramp

21 within a couple of hours. In the meantime no one could flush a
22 toilet or run any water in the house. Eventually we acquired the
23 email address of Mr. Gilroy with Utilities, Inc. and
24 communicated with him to attempt to get a permanent
25 resolution of the problem. We have been working with Bob
26 Gilroy with CWS for over three years beginning December of
27 2014 with no resolution. As of September 2016 we filed
28 complaints with Richland County, to DHEC and Office
29 of Regulatory Staff. We notified Vice Chair Richland County
30 Council Bill Malinowski, Rep Nathan Ballentine and Rep Chip
31 Huggins as well. We hosted a meeting on January 12, 2017 at
32 our office in Chapin, SC. Attendees were:

33 Bob Gilroy, Utilities Inc.

34 Sonja Johnson, Midlands EQC/BEHS DHEC

35 Paul Wise, Environmental Health Manager DHEC

36 Willie Morgan, SC Office of the Regulatory Staff

37 Sarah Johnson, SC Office of the Regulatory Staff

38 Gary Walson, SC Office of the Regulatory Staff

39 Stewart Hill, Project Engineer with WK Dickson

40 James Caldwell, Owner Carolina Lift Stations

61 **Q: Have you improved the system at your house?**

62 A: We installed a second backflow preventer to prevent
63 wastewater from coming into our home, which has not
64 worked. These backflow preventers work when a force of
65 water slams it shut. Since the backup in our
66 neighborhood occurs slowly, the water seeps through
67 into our house.

68 **Q: How much do you pay per month for wastewater**
69 **removal?**

70 A: \$52.93. Our bill has been paid every month on time
71 without fail for the last four years despite numerous failures.
72 Not only have they not provided the service we have paid
73 for, they have caused extreme inconvenience, a health
74 hazard as well as jeopardizing the value of our home. We
75 are unable to put our house on the market due to this
76 issue.

77 **Q: What is your biggest concern?**

78 A: Our biggest concern is the value of our home has been
79 compromised and we will be unable to sell our home.
80 Additionally, we are concerned with contaminating our

81 house. As of today, the sewer water backing into our
82 house has been contained to our shower. The next event
83 may cause it to go higher and flood sewer water into the
84 entire first floor of our home. We have no way of
85 stopping this from occurring. Additionally, we are also
86 concerned that Lake Murray will be compromised with
87 raw sewage as the Richland County sewer system cannot
88 handle the current sewage yet more homes are being
89 built adding to the problem.

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1 **CHAIRMAN WHITFIELD:** Ms. Valtorta, I think we
2 entered your other witness' testimony already in,
3 so you don't have anything further?

4 **MS. VALTORTA:** I don't, except for a closing
5 statement.

6 **CHAIRMAN WHITFIELD:** Okay. Mr. Knowlton, I
7 think I understand from my attorney that you're
8 willing to start tomorrow?

9 **MR. KNOWLTON:** That is correct, sir.

10 **CHAIRMAN WHITFIELD:** Well, if that's correct,
11 then we will adjourn for the evening, and we will
12 start back at 10 a.m., tomorrow morning, to resume
13 the case.

14 **MR. KNOWLTON:** Not 10:30. 10:00.

15 **CHAIRMAN WHITFIELD:** 10 a.m., yes, sir. 10
16 a.m., not 10:30. Thank you. See you in the
17 morning.

18 [WHEREUPON, at 6:17 p.m., the hearing in
19 the above-entitled matter was adjourned,
20 to reconvene at 10:00 a.m. on April 4,
21 2018]

22 _____
23 [WHEREUPON, Late-Filed Hearing Exhibit
24 No. 10 was marked and received in
25 evidence upon receipt: 4/24/18]

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[WHEREUPON, Late-Filed Hearing Exhibit
No. 11 was marked and received in
evidence upon receipt: 4/24/18]

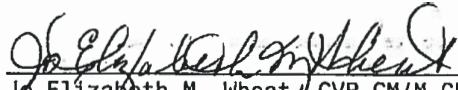
[WHEREUPON, Late-Filed Hearing Exhibit
No. 12 was marked and received in
evidence upon receipt: 4/24/18]

C E R T I F I C A T E

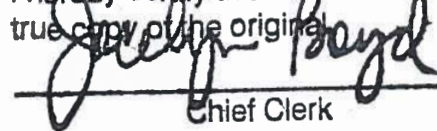
I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, Notary Public in and for the State of South Carolina, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had and testimony adduced in a hearing held in the above-captioned matter before the PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA;

That the witnesses appearing during said hearing were sworn or affirmed to state the truth, the whole truth, and nothing but the truth;

IN WITNESS WHEREOF, I have hereunto set my hand and seal, on this the 20TH day of April, 2018.


 Jo Elizabeth M. Wheat, CVR-CM/M-GNSC
 Hearings Reporter, PSC/SC
 My Commission Expires: January 27, 2021.

I hereby certify this document to be a true copy of the original.


 Jackie Boyd
 Chief Clerk

Date 8/30/18

